

The complaint

Mrs A complains Lloyds Bank PLC (Lloyds) didn't give her an opportunity to set up a repayment plan to pay off arrears on her personal loan.

What happened

Mrs A took out a personal loan with Lloyds in November 2017. The contractual monthly repayment was collected automatically by direct debit until May 2019. Mrs A cancelled the direct debit before June's payment was due.

Lloyds wrote to Mrs A on 13 July and 3 August and asked her to get in touch about the arrears. The letters also stated a default notice would be issued if a payment wasn't received or a suitable way to make repayments wasn't agreed, and this would stay on Mrs A's credit file for six years.

A default notice was issued on 13 August and in the letter, Lloyds set out the actions it would take if it didn't receive a payment or agree a suitable way forward by 31 August. Mrs A contacted Lloyds on 17 August and said she'd been unable to make payments due to personal circumstances. She said she'd returned to work and was looking to work part-time from the following month.

Lloyds went through Mrs A's income and outgoings and noticed her disposable income was insufficient to pay even the regular monthly instalment. The adviser informed Mrs A he couldn't set up a plan to repay the arrears when the affordability assessment showed Mrs A couldn't afford her contractual monthly repayments. He also said it was likely her disposable income would be even less the following month when she went part-time.

The adviser asked Mrs A if she knew what her revised income was going to be, but she didn't. He offered to place the account on hold for 30 days to give breathing space. Interest was also frozen. He told Mrs A her loan would be three months in arrears if August's payment wasn't received, and this could impact her credit file.

The 30-day period passed and on 15 October, Lloyds wrote to Mrs A and asked her to pay the full arrears on her loan. It said it would end the agreement and demand immediate payment of the total outstanding balance if arrears weren't paid or a way forward wasn't agreed. The letter also explained Lloyds would register a default on the loan. It would also consider asking a debt collection agency to collect the full outstanding balance or selling the debt to an external company.

On 12 November, Mrs A complained she'd been unable to speak to Lloyds when she tried calling on 22 October. She said she wanted to set up a repayment plan to pay off the arrears and set up a direct debit for the monthly loan repayment.

Lloyds said it couldn't comment on Mrs A's attempts to get in touch in October as it couldn't trace any calls. It also said there were other methods Mrs A could have used to get in touch. Lloyds informed Mrs A it had registered a default and her loan had been passed to its

recoveries department. It explained it couldn't set up a repayment plan until it had made a decision on next steps. But Mrs A could continue making manual payments in the interim.

Mrs A referred the matter to our service in January 2020. She said she was unhappy Lloyds didn't believe she'd tried to get in touch, and that she'd have to wait to set up a repayment plan. In April, she forwarded a letter from Lloyds which asked her to get in touch to discuss options for repaying the outstanding balance. Mrs A said she was frustrated as she could have paid off a huge chunk of her loan between November 2019 and April 2020. She subsequently told us she wanted Lloyds to pay £1,200 compensation for the considerable embarrassment, upset and inconvenience she'd suffered.

Lloyds wrote to Mrs A in July 2020 and informed her it had instructed a debt collection agency to arrange collection of the outstanding amount.

Our investigator looked into Mrs A's concerns and concluded Lloyds hadn't done anything wrong. She thought it offered support when Mrs A got in touch in August 2019. The investigator acknowledged Mrs A wanted to set up a repayment plan, but was satisfied Lloyds explained why it couldn't do this when the loan was transferred to recoveries. She thought Lloyds offered clear information on how Mrs A could make payments to reduce the arrears while it decided on next steps. But payments weren't received during this period.

Mrs A disagreed with the investigator's findings. She said she wasn't willing to make payments until Lloyds had confirmed its decision on next steps with her loan. She also said she couldn't understand why she couldn't set up a fixed repayment plan with Lloyds in November 2019, when she had been able to do this with other companies. Mrs A remained unhappy Lloyds didn't tell her at any point between November 2019 and July 2020 what department her loan was with.

Our investigator's opinion remained unchanged. She thought Lloyds had initially considered a repayment plan, but the affordability assessment showed it wasn't affordable. It placed a 30-day hold on the account which, at the time, Mrs A had said would help in making arrangements. The investigator also thought Lloyds provided clear information to Mrs A so she could start making payments even after the loan was transferred to its recoveries department.

Mrs A didn't agree and asked for her complaint to be reviewed by an ombudsman. So, the matter's been passed to me to decide.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I understand Mrs A feels very strongly about her complaint. But I would only make an award against Lloyds if I find it has done something wrong.

Lenders are required to treat those in financial difficulty with forbearance and due consideration. There is no set way they're required to do this.

I can see from the records provided that when Mrs A notified Lloyds of her circumstances, it took steps immediately to see how it could assist. It agreed to freeze interest. It also went through an income and expenditure assessment with Mrs A to consider a payment arrangement to reduce the arrears. Although it wasn't able to offer a payment arrangement at the time, Lloyds offered a 30-day breathing space to give Mrs A time to review her

options. I consider these to be positive steps, meeting the requirement to treat a customer with forbearance.

I acknowledge Mrs A's circumstances might not have changed much during the 30-day period. But I'm satisfied Lloyds made it sufficiently clear to her the hold was for 30 days only. The temporary hold extended the original deadline date of 31 August for Lloyds to take actions set out in its letter dated 13 August. As it didn't hear back from her within this period, or receive a payment, I don't consider it was wrong of Lloyds to proceed with the actions it said it would take.

Mrs A states Lloyds didn't believe she tried getting in touch on 22 October. I'd like to reassure her that's not the case. It's told us it doesn't doubt she called on that date. But notes or records aren't available as the call wasn't successful.

Mrs A states Lloyds' letter dated 15 October suggested there was still time for her to get in touch. I think it's important to note Lloyds issued a default notice on 13 August. This means it was entitled to default the account if a payment or a suitable way forward wasn't agreed by the extended deadline.

Even if Mrs A had managed to speak to Lloyds on 22 October, I'm not persuaded the outcome would have been any different. I say this because she's said she would have offered to set up a repayment plan to pay the arrears. But Lloyds had already demanded a full repayment of the arrears by that point. Even it was willing to accept a reduced payment arrangement for the arrears, I haven't seen enough to conclude Mrs A would have definitely been able to afford one. So, I think the account would have defaulted regardless. And once this had happened, Lloyds would have sought to recover the full outstanding balance on the loan.

Our investigator has explained, and I agree, Lloyds gave a reason for why it couldn't set up a repayment plan when Mrs A got in touch in November 2019. It was in the process of deciding whether to sell the debt, pass it to a collection agent, or keep it under the control of its recoveries department. I know Mrs A is unhappy with the time it took for Lloyds to inform her of its decision, but I don't consider this would have impacted her credit file any more than it was going to – the account was to be defaulted. More importantly, Lloyds gave her the option to make payments and reduce her arrears while it was deciding on next steps.

Mrs A's raised concerns about not being able to pay a chunk off her loan between November 2019 and July 2020. From the available evidence, I'm satisfied Lloyds told her on at least two occasions she could make payments manually during this time. The details of the account to be credited were set out in its letter dated 31 December 2019. I understand Mrs A was unwilling to make a payment until Lloyds had confirmed where her loan had gone. It would be unfair of me to hold Lloyds responsible for her decision not to make any payments when it had provided account details for her to continue making payments.

Finally, I've considered Mrs A's concerns about not being able to set up a repayment plan with Lloyds when she'd been able to do so with other businesses. It's difficult to comment on decisions made by individual businesses without knowing the full facts and the extent of arrears. It's important to note the complaint I'm deciding is about Lloyds' actions. Having carefully considered the available evidence, I'm satisfied Lloyds did consider a payment arrangement, but it deemed it wasn't affordable. I consider the steps it took next – giving her some breathing space and continuing to provide her with details of debt advice organisations – to be positive and showing due consideration.

Overall, I'm satisfied Lloyds has treated Mrs A fairly in relation to her loan arrears – with forbearance and due consideration. So, I'm not going to ask it to do anything further. I'd urge Mrs A to continue engaging with the debt collection agency and Lloyds regarding her loan.

My final decision

For the reasons given, my final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 14 January 2021.

Gagandeep Singh
Ombudsman