DRN-3219601

The complaint

Mr F complains that Elderbridge Limited (Elderbridge) would not agree to a payment deferral, and he wants to understand the interest and charges on his loan.

What happened

Mr F took out a secured loan of £70,000 in September 2006. It is secured on his property and was originally provided by a lender which was eventually acquired by Elderbridge. The amount originally lent was £83,951 but that included a Payment Protection Insurance (PPI) premium of £13,951 – which was cancelled and refunded almost immediately, reducing the balance of the loan to £70,000. Interest was 7.7% APR but this was variable – and in April 2020 it was 7.082%. The monthly repayment was £596.34.

Over the years, many payments were missed and by November 2020, the balance owed was £29,396, with arrears of £29,203. Interest was stopped with effect from March 2008, although Elderbridge noted there was unpaid interest of £60,288. Various payment arrangements were agreed over the years. In September 2020, it was agreed that Mr F would pay £600 a month for three months. In March 2020 and November 2020 – Mr F called Elderbridge to ask for a payment deferral under the COVID-19 support scheme – Elderbridge declined to agree to this because of the arrears. Instead, in November 2020, Elderbridge agreed a short-term arrangement of one payment of £100, followed by another payment of £400. After that, payments were to return to £596.34 a month. He was to call Elderbridge after that to discuss the way forward.

Mr F complained that he asked for a payment deferral as he'd not been working due to COVID-19. He was a self-employed taxi driver, and his work had dried up due to the pandemic. Elderbridge had turned him down. He said he offered to pay £522, but they asked for £600 per month – which he couldn't afford. He also couldn't understand how the interest was so high and asked that his account be checked.

Elderbridge said there was a history of arrears on Mr F's account. Interest was suspended in March 2008 and so any payments he'd made since then meant the capital was reduced more quickly than if interest was being charged. They said that once Mr F repaid the capital amount, the interest would also become payable. The amount owing, including interest on Mr F's loan was correct and reflected the number of missed payments.

Mr F brought his complaint to us. Our investigator said she thought that Elderbridge acted unreasonably and they should've agreed a payment deferral under the arrangements brought in to support customers who were affected by the pandemic. She considered that the interest on the loan looked reasonable. She said Elderbridge should re-work Mr F's loan as if he was given a payment deferral for six months from March 2020 to May 2020 and then from November 2020 to January 2021. And she said his credit file should be changed to show that. She said Elderbridge should pay Mr F £150 compensation for distress and inconvenience.

Elderbridge didn't agree. They said the COVID-19 scheme guidance stated that a payment deferral wasn't appropriate where there were arrears before the scheme came into effect - in March 2020. They asked that an ombudsman look at Mr F's complaint.

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.

Looking at Mr F's request for a payment deferral. In March 2020, The Financial Conduct Authority (FCA) announced guidance to lenders in response to the effects on customers of the COVID-19 pandemic. All lenders, including Elderbridge, had to put in place 'payment holidays' on many credit agreements, including secured loans – to help customers who were affected. Customers could ask for a total of two payment holidays, each of three months – whereby payments could be suspended. Missed payments would not be reported to credit reference agencies, although interest would still be debited to the accounts. This support was provided by firms up to the end of October 2020.

In September 2020, the FCA announced that the support scheme would change from the end of October 2020. From then, firms could continue to support customers in difficulty – but it was down to their discretion and customers' circumstances. And – reporting to credit reference agencies was reintroduced for people that had already had the maximum six months of payment deferrals.

Elderbridge said that Mr F didn't qualify for a payment deferral as he was already in arrears. But I don't agree with that. The FCA's guidance said that where a customer was experiencing payment difficulties because of the pandemic, then a payment deferral should be granted. And in Mr F's case – he was a taxi driver and his worked had been badly affected. And so – Mr F qualified for a payment deferral.

The FCA's guidance also said that if a customer is already in a payment shortfall, they shouldn't be treated any less favourably than other customers. So - even though Mr F was in arrears, he still qualified for a payment deferral.

Therefore, Mr F should've been given a payment deferral for three months in March 2020 and again on November 2020. And I agree with our investigator that this should be put right – so that Mr F should be put in the position he would've been in had the payment deferral been agreed.

But – aside from considering the COVID-19 scheme, it's clear to me that Mr F is in considerable financial difficulty. Elderbridge had obligations to help him. So, I've then gone on to consider this.

Businesses have an obligation to treat customers in financial difficulty sympathetically and the Financial Conduct Authority (FCA) says that businesses like Elderbridge should treat customers in difficulties with forbearance and due consideration. For example, a business might suspend or waive interest, accept lower payments, or defer them, and allow customers more time to repay their debt. And so – I've looked at Mr F's complaint to see if Elderbridge treated him reasonably, in line with this.

I can see that over the years, Mr F has struggled to make the payments to his loan. For example, there weren't any payments made between September 2009 and April 2012, and then again from April 2014 to December 2016. And by August 2020, Mr F was still in substantial arrears. So, I've looked to see what support Elderbridge gave him.

I can see from Elderbridge's records that they spoke to Mr F on many occasions – to try to establish a realistic payment programme with him. Each time, I could see that they tried to work out his income and expenditure – to see how much he could afford to pay. These conversations took place in December 2018, March 2019, April 2019, October 2019, December 2019, March 2020, May 2020, June 2020, July 2020, August 2020, and September 2020. I can see that reduced payments of £600 per month were agreed in September 2020 for three months. I've listened to the call in November 2020. In it – Elderbridge's call handler goes though Mr F's income and expenditure and established that he could afford to pay them just over £500 a month. Mr F said he couldn't afford that, so they settled on one payment of £100 and then another of £400 – so they were trying to help. This was then confirmed to Mr F in a letter dated 30 November 2020.

And – I can see that Elderbridge haven't charged any interest since March 2008. But they've been setting it to one side – they've said that they will charge it if Mr F does repay the outstanding capital balance. But – Elderbridge have tried to help by stopping interest. This has led to the capital amount of the loan reducing more than it would have if interest been charged. I'm therefore satisfied that Elderbridge have done what they could to help Mr F.

I've looked at the interest on Mr F's loan. We do not provide an audit service and therefore I can't state that the interest that's been set aside is accurate. But we asked Elderbridge to show us the calculations of interest – they look reasonable, and we can't see anything that is obviously incorrect.

Mr F told us that he's intending to sell his house shortly. We asked Elderbridge what Mr F's current situation with them is. He's paid £200 each month between January 2021 and August 2021, and then £300 each month between September 2021 and December 2021. The balance shown on his statement up to 25 January 2022 is £26,096.86, plus interest of £60,756.71. But it's a matter for Elderbridge to tell Mr F how much he owes – and he must therefore get a redemption figure from Elderbridge – as this might be different from the figures I've quoted here.

But having looked at his complaint, my decision is that Elderbridge should have agreed to his request for a payment deferral under the COVID-19 scheme. And therefore, they should change his credit file to delete the late payment markers for the months between March 2020 to May 2020 and then from November 2020 to January 2021. Interest wasn't being charged to the loan account but was being 'noted' – so in line with the payment deferral scheme, this can continue to be the case for the periods of the payment deferral. So – Mr F will eventually be liable to pay it. And because Elderbridge made an error in declining a payment deferral, they should pay compensation of £150.

Looking at Mr F's long-term financial difficulties – I consider that Elderbridge have tried to support Mr F over a long period of time and have fulfilled their obligations under the FCA's guidance.
(continued)

My final decision

I uphold this complaint. Elderbridge Limited must:

- Remove the late payment markers from Mr F's credit file for the months between March 2020 and May 2020 inclusive; and between November 2020 and January 2021 inclusive.

- Pay Mr F compensation of £150 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr F to accept or reject my decision before 15 March 2022.

Martin Lord
Ombudsman