

## **The complaint**

Ms G complains that Chetwood Financial Limited (“CFL”) aren’t taking into account her personal circumstances by refusing to write off the balance on her loan.

## **What happened**

Ms G applied for a loan of £6,000 with CFL in 2020. This was granted and Ms G says her financial circumstances were better at that time as she was getting more help from Universal Credit and was able to work more overtime. Then in 2021, Ms G says her circumstances changed, she was in financial difficulty and also living with a mental health condition. Ms G called CFL for help but they initially told her they could only put her account on hold for 30 days. Ms G says CFL should’ve been aware she was struggling as she had missed payments a few months before. Ms G felt CFL weren’t helping and weren’t taking her personal circumstances into account, so she complained and asked them to write-off the balance on her loan.

CFL responded and referred to the phone call Ms G had with their agent. They said, Ms G had asked for additional borrowing of £1,000. They explained they’re unable to provide Ms G with this amount as they don’t have the system functionality to add funds to an existing loan. They disagreed they told Ms G there was nothing they could do to help with her repayments. They said the agent Ms G spoke with did explain Ms G could complete an income and expenditure assessment so they can understand Ms G’s situation which would then allow them to offer support tailored to her. They said, as Ms G didn’t want to complete this at the time, they were unable to agree to any formal arrangements and offered a 30 day hold on the account to provide Ms G with time to seek advice.

CFL said, based on the information they had, they couldn’t agree to write off the debt. CFL said they had since received an income and expenditure assessment from Ms G so their payments team would contact Ms G to let her know about the tailored support available.

Our investigator looked into things for Ms G. During our investigation, Ms G provided a letter from her doctor which talks about Ms G’s mental health and the impact on her. CFL considered this and maintained their position not to write off the debt. Our investigator thought it wasn’t unfair for CFL to not write off the debt but felt CFL should offer Ms G a payment plan where, going forward, the payment comes off the capital with no interest being charged. CFL agreed to this but Ms G disagreed so the matter has come to me for a decision.

## **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.

Having done so, I’ve decided to partly uphold the complaint. And, I think the investigator’s recommendation here is a fair way to resolve matters. I understand Ms G will be disappointed by this but I’ll explain why I have made this decision.

### *Communication with CFL*

I'll start by saying, I'm sorry to hear about Ms G's personal circumstances. I acknowledge there have been some significant events in Ms G's personal life and I do appreciate it was a difficult decision for Ms G to reach out and ask CFL for help. I understand Ms G feels CFL didn't offer her any help or support and didn't take her personal circumstances into consideration. We do expect lenders to treat consumers, who are experiencing financial difficulty or are vulnerable, sympathetically and positively. So, I've carefully considered Ms G's communications with CFL to see whether they treated her fairly and took into account her personal circumstances.

I've listened to a recording of a call Ms G made to CFL where she explains she's struggling to repay the loan with CFL and also a credit card with another lender. She asks if she can have another £1,000 credit to help pay off her credit card balance. The agent explains Ms G will need to clear her loan balance first before they're able to offer any further credit. The agent explains they can do an income and expenditure assessment with Ms G to consider what support options are available. The agent asks questions about Ms G's mental health condition to understand the impact on her. Ms G explains she's only working minimum hours at the moment and not working overtime. Ms G explains she has approached a debt charity and they recommended she discuss her mental health condition with CFL. The agent explains they could consider placing the account on hold for 30 days depending on what the income and expenditure assessment shows, but Ms G explains she knows what her disposable income is and a hold on her account won't help. The agent explains if Ms G finds herself in a position where she can't make her next repayment then she can contact CFL.

Ms G then emails CFL to say she didn't feel CFL had helped her during the call. Ms G says CFL should've been aware she was struggling as she had missed payments a few months before. Ms G asks CFL if they would consider writing off the balance on her loan. CFL then raise a request to write off the balance and ask Ms G for further information. This includes medical evidence of her mental health condition, her employment status and an income and expenditure assessment. Ms G responds and explains her mental health had worsened due to suffering multiple bereavements in a short space of time. She also completes an income and expenditure assessment. Ms G hadn't at this point provided any medical evidence of her mental health condition.

CFL then email Ms G and explain the income and expenditure assessment she provided shows she had a monthly disposable income of £111 after her expenses have been paid which is enough to cover her loan repayment of £66.07. CFL offer Ms G a reduced payment arrangement for three months. They say this will be reported and would show on Ms G's credit file. Ms G felt CFL still weren't taking her personal circumstances into account and how she was working through the pandemic while living with a mental health condition. CFL respond and say they understand Ms G is concerned they've threatened to report her to the Credit Reference Agencies ("CRAs") but her income and expenditure assessment shows she has enough disposable income to meet her contractual repayment. They say they did however inform Ms G that if she couldn't make the full repayments, she could make reduced payments but this would be reported to the CRAs.

CFL say it wasn't their intention to threaten Ms G but, as a responsible lender, they're required to share accurate information about a customer's account with CRAs.

Ms G responds and says she's completed a new income and expenditure assessment and this shows she isn't left with a disposable income. Ms G says she feels CFL are discriminating against her due to her mental health. CFL respond and explain they've passed the new income and expenditure assessment to their payments team who'll be in touch with Ms G to discuss what support they're able to offer. CFL then email Ms G and

explain the income and expenditure assessment shows she has a monthly disposable income of £21 and they can reduce payments if a smaller payment will be manageable.

CFL again explain this will be for three months and the portion of the payment not being paid will be added to an arrears balance each month. They say, a lower repayment arrangement will be reported to the CRAs. They say, once the arrangement ends, they'll start reporting Ms G's loan dependent on the arrears balance she has at the time. They say an arrears balance of £68.08 or above will cause a missed payment report, and an arrears balance of £136.16 or above will cause the loan to be reported as 'in arrears' until Ms G is able to bring the arrears balance below this amount. They ask Ms G to let them know what lower repayment amount would be affordable for her. Ms G responds and says things come up each month unexpectedly so she won't have the £21 as disposable income. Ms G says CFL are discriminating against her due to her mental health.

There's further communication between Ms G and CFL where they ask for medical evidence of Ms G's mental health condition and Ms G explains this will attract a fee from her doctor. CFL then offer to cover any costs. Ms G explains this will be £25 and CFL say they'll be arranging for this money to be sent to Ms G's account. CFL also confirm they've applied a hold on Ms G's account which will stop any further payment reminders being sent while our service looks into Ms G's complaint. Ms G then confirms she has attended her doctor who will be sending her a letter for which there will be no charge.

I understand Ms G found it frustrating and upsetting to complete the income and expenditure assessments. Ms G was in financial difficulty so I acknowledge why completing an assessment where she's required to detail all income and expenses will be upsetting for her. I can't however say CFL have been unreasonable in asking for this. Ms G has mentioned financial difficulties and personal circumstances which mean she'll struggle to make repayments. In these circumstances, we would expect a lender to offer help and support. But, a lender generally will only be able to consider what support options are available once they get a better understanding of a customer's financial circumstances. So, I don't think it was unfair for CFL to ask Ms G to complete an income and expenditure assessment as this would enable CFL to determine what, if anything, would be an affordable monthly repayment amount for Ms G. I think it was right, and appropriate, that CFL took the information from the assessment into account when deciding how they can help Ms G.

I note Ms G feels CFL acted in a threatening manner when they said they would report any reduced payment plan to the CRAs. I do understand why this upset Ms G and, particularly so, during a time when she was asking CFL for help – but I don't believe it was their intention to threaten or upset Ms G. It's important that financial businesses report accurate factual information about customer's to CRAs. Guidelines issued by the Information Commissioner's Office ("ICO") state that any data reported on a credit file must be fair, accurate, complete and up to date. I believe CFL were explaining the process to Ms G so she could make an informed decision on whether to accept their offer of a reduced payment arrangement.

Looking at the steps CFL have taken, the information I've seen shows they've considered the information on Ms G's income and expenditure assessment and offered a reduced payment arrangement which includes asking Ms G what repayments she feels would be affordable. CFL offered to place a 30 day hold on Ms G's account to give her some time to seek advice. And, CFL say they've given three months' worth of repayment holidays which Ms G accepted and were applied to her account. I can see CFL have also, on a number of occasions, signposted Ms G to various organisations who might be able to help provide further support. So, taking this all into account, I think CFL have been sympathetic to Ms G's personal circumstances and treated her fairly by offering options to help Ms G.

I can see Ms G received messages from CFL reminding her to make payments. Ms G says this caused her mental health to worsen. CFL agreed to place a hold on Ms G receiving these messages but one was still received. CFL apologised and explained this was down to their automation system taking a bit more time to apply the change in account status when sending scheduled communications. They confirmed the issue had been fixed and I can't see Ms G received any further messages over the period CFL agreed to hold off.

### *Writing off the debt*

I understand Ms G says she's paid off £3,500 of her loan and, given her personal circumstances, CFL should write off the outstanding balance. CFL asked for medical evidence of Ms G's mental health condition so they could take this into account when deciding whether to write off the balance.

I've seen the letter from the doctor and this confirms Ms G is living with a mental health condition and she is "...*struggling particularly this year due to a number of significant bereavements as well as financial concerns.*" The doctor says, as one of her lifestyle changes, in order to address her mental health, Ms G has decided to cut back on picking up extra work shifts and is therefore taking a financial hit. The doctor's letter concludes, "*This letter is to request your consideration of extenuating circumstances with regards to clearing the rest of her loan debt. I feel this would be tremendously beneficial for [Ms G] and I can fully appreciate that she has not come to this conclusion easily herself. I feel that taking this worry from her will improve her situation and she will be able to get back on her feet an awful lot sooner.*"

It's not in dispute that Ms G is struggling with her mental health and financial circumstances. And, the doctor's letter supports this. CFL have considered the doctor's letter but they maintain their position that they won't be writing off the debt. CFL say, while the doctor's letter refers to Ms G's health worsening over time, they feel it's not severe enough to deem it appropriate to write off the loan balance. When considering whether CFL should write off the debt, I think it's important to assess the doctor's comments in the context of whether Ms G will ever be able to repay the balance, or any part of it, in the future.

The doctor's letter says writing off the debt will be beneficial for Ms G and will help her get back on her feet sooner. I haven't however seen any evidence which suggests Ms G will never be in a position to repay some, or all, of the loan balance back at some point in the future. I have to be fair to both parties and directing CFL to write off the debt now means it would close the possibility of them trying to recover the loan balance if Ms G's circumstances change.

While the doctor appears to be suggesting the presence of the loan balance might well mean it takes longer for Ms G to get back on her feet, not writing off the debt means CFL are able to look into any suitable and appropriate arrangements to recover the debt – or any part of it - when Ms G might be in a position to restart any repayments.

I am sorry to disappoint Ms G and I do acknowledge she has been through very upsetting events in her personal life. But, given that I've seen no evidence that Ms G will never be in a position to make any further repayments at any point in the future, I can't fairly ask CFL to write off the loan balance.

### *Steps going forward*

I can see CFL have agreed with our investigator's recommendation for them to continue supporting Ms G with a repayment plan where any payment Ms G makes comes off the

capital – with no interest charged going forward. CFL have confirmed they haven't charged interest since November 2021 and the total balance outstanding is £2,656.63. It's clear Ms G isn't in a position at this moment in time to continue any repayments but I don't think it's unreasonable for CFL to continue to monitor this and, at the point Ms G's financial circumstances change and she might be able to continue making repayments, CFL should consider a repayment plan which is affordable for Ms G.

I can see CFL say Ms G hasn't made any payments on her loan for three months and, if no payment was made in February 2022, they would be issuing a default notice. I haven't been provided with any information to show whether CFL have issued a default notice. The ICO says when a consumer is at least three months behind with their payments then a default may be registered. And it would expect a default to be registered by the time the consumer is six months behind with their payments. So, given Ms G hasn't made any payments towards the loan balance for three months, I can't say it's unfair for CFL to take steps to issue a default notice. Should CFL decide to default the account sooner rather than later, I acknowledge this might be upsetting for Ms G but I can't say it will be wholly detrimental. I say this because it's clear Ms G can't make any repayments at this present time. So, Ms G won't be able to bring the account up to date in the near future, so the sooner the default is applied, the sooner it will be removed from Ms G's credit file.

### *Discrimination*

I note Ms G holds strong feelings about what she feels is a lack of help and support from CFL. She feels CFL have discriminated against her on the grounds of her mental health. I am sorry to hear Ms G feels she has been treated unfairly and that she feels this is down to her mental health. I've carefully considered this point, but I don't agree CFL have treated Ms G unfairly or otherwise treated her in a way they wouldn't have treated any other customer in the same position. The information shows CFL did take into account Ms G's personal circumstances and offered help and support in line with what I would consider to be fair and reasonable for a customer in Ms G's position.

### **Putting things right**

CFL have agreed to charge no interest going forward and to offer a repayment plan which is affordable for Ms G when she's able to make any repayments, and I think this is fair and reasonable in the circumstances.

### **My final decision**

My final decision is that I partly uphold the complaint. Chetwood Financial Limited must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 26 April 2022.

Paviter Dhaddy  
**Ombudsman**