

## **The complaint**

Mr and Mrs B's complaint is about a secured loan they have with Together Personal Finance Limited. They are unhappy that there was an outstanding balance on the loan at the end of the term due to fees and additional interest charged because of a period of financial difficulties when the loan went into arrears.

## **What happened**

Mr and Mrs B took out a secured loan in 2009 for £36,000. It was arranged on a repayment basis with a term of 10 years. The interest rate was set at 15.65% per annum and the contractual monthly payment (CMP) was set at £666.73.

Just over a year later they began having difficulties making the monthly payments. Mr B has explained this was due to illness and him being unable to work for a period of time. The amount of arrears resulted in Together applying to the courts for possession of their property. A suspended possession order was granted in 2012, which allowed Mr and Mrs B to remain in their home if they paid the CMP plus an amount to the arrears.

The initial financial difficulties resolved in 2013 and Mr and Mrs B cleared the arrears in the middle of 2017, but the additional interest and charges/fees, while reduced, were not cleared by the additional payments being made. Unfortunately, Mr and Mrs B also suffered further financial difficulties in 2018 and the loan went into arrears again. This meant that there was still an outstanding balance at the end of the term in 2019.

The loan term expired in 2019, but it was not repaid. Mr and Mrs B continued to make varying payments toward the loan. In June 2020 they complained to Together about the outstanding balance of the loan.

Together responded to Mr and Mrs B's complaint in its letter of 31 July 2020. It explained that the outstanding balance was due to the payments having not been maintained in line with the loan agreement and the costs of resultant litigation action. Together also confirmed that it had completed a review of the interest applied to the loan in February 2019, and a credit of £953.80 had been applied to the account. It said that it was satisfied that the remaining interest had been applied correctly in line with the loan agreement.

Mr and Mrs B weren't satisfied with Together's response and referred the complaint to us. One of our investigators initially explained to them that, due to the timescales contained within the rules that determined what complaints we can consider, we would only be able to look into the administration of the loan from June 2014 – six years before the complaint was made. Mr and Mrs B accepted this and asked that we consider what we could.

Following the involvement of our investigator Together reviewed the interest that had been applied from January 2014. It said that by it agreeing to reduced payments from that point, Mr and Mrs B's situation had become worse. As such Together calculated how much interest they would have paid during that period if all CMPs had been made in full and on time. The figure calculated was £3,349.16 less than the actual interest charged on the account. Together offered to reduce the loan balance by that amount. Our investigator endorsed the

offer. She concluded that Together had done what it could to support Mr and Mrs B from time to time in completing assessments of their financial situation and making payment arrangements to suit. She also noted that it had offered to assist them in selling the property when Mr and Mrs B were thinking about doing so and it had also recommended that they seek independent advice on numerous occasions.

Mr and Mrs B didn't accept the investigator's conclusions. They said that their main point of complaint was that during the term of the loan they paid Together more than the original loan agreement had said they needed to, but they still owed a significant amount of money. They considered the amount they had been charged for missing the payments they had was excessive.

The investigator responded to Mr and Mrs B's further comments, but as they remained unhappy, it was decided that the complaint should be referred to an ombudsman.

### **What I've decided – and why**

We consider our jurisdiction at each stage of a complaint. Having done so, I agree with our investigator that we are only able to consider the merits of this complaint for the six years before it was made in 2020.

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

Mr and Mrs B have said that their main point of complaint is that they had paid the amount the original contract required of them by the end of the term, but there was still a significant amount owing. As has been explained, the amount detailed in the loan agreement as needing to be paid was calculated on the basis that all payments were made on time and in full. Unfortunately, Mr and Mrs B weren't able to do that. As with all such agreements, interest is charged on the amount owed and if that is more than it should be at any point, more interest is charged than was anticipated in the original contractual arrangements.

A lender is required to explore ways to resolve an arrears situation, especially if the problem that created the arrears to begin with is one that looks to be short-term and capable of being resolved.

For long-term difficulties, a lender must also look at other ways to help, such as reducing interest rates or deferring interest for a period of time. Balanced against that is the lender's obligation to ensure that any arrangement is affordable and sustainable. In addition, the arrangement or concession actually has to help a consumer, and not simply delay the inevitable consequence of the loan being unaffordable.

In this case Mr and Mrs B's situation was a long-term one, but they managed to resolve the financial difficulties after a period. They paid the CMP and an amount to the arrears for some time and used an inheritance to clear the arrears completely, but there were further missed payments and payments below the CMP. During the period I can consider, Together kept in contact with Mr and Mrs B and completed assessments of their circumstances and entered into payment arrangements where appropriate. It also offered to assist with the sale of the property when Mr and Mrs B were considering that option. In the circumstances, I can only find that Together did make attempts to assist Mr and Mrs B.

However, I consider that when it became clear that Mr and Mrs B weren't going to be able to repay the loan within the term, Together should have looked at additional options to assist them, such as reviewing the interest that was accruing. Together has acknowledged that by allowing Mr and Mrs B to make reduced payments after January 2014, their overall financial

situation worsened. Together has offered to remove the additional interest that accrued from all reduced or missed payments after January 2014 from the outstanding balance of the loan. Effectively, it has offered to retrospectively reduce the interest rate on the arrears that accrued after January 2014 to zero. I consider this offer is fair in the circumstances.

### **My final decision**

My decision is that the offer Together Personal Finance Limited has made is fair in all the circumstances. As such, I require Together Personal Finance Limited, in full and final settlement of this complaint, to adjust Mr and Mrs B loan balance accordingly.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs B to accept or reject my decision before 9 January 2023.

Derry Baxter  
**Ombudsman**