

The complaint

Mr and Mrs M complain about Elderbridge Limited's actions when locating payments made towards their loan.

What happened

Mr and Mrs M took out a loan for around £90,000 in 2008. In January 2016, the loan was transferred to Elderbridge.

Mr and Mrs M fell into arrears with the loan and, around June 2020, agreed a payment plan with Elderbridge. The payment plan committed Mr and Mrs M to making a payment of £750 every month from July 2020 to June 2021. Mr and Mrs M missed a payment in September 2020 but was able to repay it. However, in December 2020, Mr and Mrs M missed a payment entirely.

In January 2021, Elderbridge contacted Mr and Mrs M about the missing payment from December 2020. Mr and Mrs M confirmed they would check with their bank what had happened but reassured Elderbridge the payment for January 2021 had been paid. Elderbridge said they hadn't received a payment since November 2020.

In April 2021, Elderbridge informed Mr and Mrs M that they couldn't locate the payments made towards their loan from the last three months. Elderbridge asked Mr and Mrs M to provide their bank statements from the last three months to help them trace the missing payments. Mr and Mrs M were concerned about providing the statements in full but offered to supply Elderbridge with redacted statements to show the payments had been made. Elderbridge insisted they needed the statements in full, and so Mr and Mrs M complained.

Later in April 2021, following Mr and Mrs M's complaint, Elderbridge confirmed they had received the payments but couldn't apply them to Mr and Mrs M's loan account until they supplied the statements as requested. In June 2021, Elderbridge credited Mr and Mrs M's loan account with the missing £2,250 and adjusted the loan account to reflect the payments being made on time.

Since the complaint has been with our service, Elderbridge reviewed things and offered Mr and Mrs M £150 compensation for the miscommunication. Our investigator explained that as Mr and Mrs M had defaulted on their payments, it was reasonable that Elderbridge asked for bank statements – as they'd be required to assess Mr and Mrs M's affordability. Our investigator agreed the miscommunication did happen, as Elderbridge asked for the statements to locate the payments – so he thought £150 compensation was reasonable to recognise this distress. Our investigator also noted that, despite not making further payments towards the loan, Mr and Mrs M hadn't set aside the monthly payments to be able to repay it when the complaint is resolved. Therefore, our investigator couldn't fairly conclude that Mr and Mrs M would have continued to make payments as they should have had the error not occurred.

Mr and Mrs M responded to our investigator's view and said they couldn't conclude the matter until they were assured that communication going forward would be better. They also asked for a copy of the account information from the beginning of the loan.

Our investigator responded and confirmed that he had considered the circumstances of what had happened but couldn't make promises on behalf of Elderbridge as to how they may or may not communicate in the future. He also gave information on how Mr and Mrs M could locate the accounts history as requested.

Mr and Mrs M didn't accept our investigators view, and therefore the complaint has been passed to me.

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.

Firstly, it's important to note that when customers enter a loan agreement with a business, there is an agreement in place that payments will be made in line with the repayment terms. Mr and Mrs M broke the terms of the agreement when they missed a payment in December 2020.

The rules and regulations in place throughout Elderbridge's lending relationship with Mr and Mrs M required them to carry out an assessment of whether they could afford to repay what they owed in a sustainable manner. When the account fell into arrears – because Mr and Mrs M missed a payment – I find it reasonable that Elderbridge decided to review the affordability. There isn't a prescribed list of checks a lender should make when assessing affordability. But the kind of things I'd expect them to consider include the borrowers' income, spending history and other financial commitments, the amount and frequency of payments and the borrowers' personal circumstances.

I appreciate Elderbridge initially asked Mr and Mrs M for a copy of their bank statements to locate the missing payments – and I do consider this information to be incorrect. I appreciate Mr and Mrs M said a number of different Elderbridge representatives requested this; however, by their offer of compensation, I consider Elderbridge have acknowledged their error. In the circumstances of what's happened here though, I don't think it was unreasonable for Elderbridge to request the bank statements of Mr and Mrs M. I consider the bank statements would have given a clearer insight into whether this loan remained affordable for Mr and Mrs M – and I've explained above why that was essential due to Mr and Mrs M missing a payment.

I recognise this situation may have caused some distress – especially as it appeared Elderbridge had 'lost' Mr and Mrs M's payments at one point. But once the payments were located, I'm satisfied the account was reworked as if they had been made on time. Therefore, Elderbridge put Mr and Mrs M back in the position they would have been in, had the miscommunication not happened.

Ultimately, Mr and Mrs M are contracted to make repayments to Elderbridge on a monthly basis. They didn't do that – and continue to accrue arrears by not putting the intended money aside while the complaint has been ongoing – and therefore Elderbridge were well within their rights to review things

Putting things right

I think the £150 compensation is a fair reflection of the distress caused in the circumstances

and I won't require Elderbridge to increase their offer or do anything differently to put things right. I also consider, as Mr and Mrs M still owe an outstanding balance, Elderbridge are entitled to offset the compensation amount from the current owed balance if they wish.

My final decision

My final decision is that I uphold Mr and Mrs M's complaint.

To put things right, if they haven't done so already, Elderbridge Limited should pay Mr and Mrs M £150 compensation (which can be offset against the outstanding balance) to recognise the distress and inconvenience caused by the miscommunication.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 3 October 2022.

Hayley West
Ombudsman