

The complaint

Mr F complains that Prodigy Finance LTD (“Prodigy”) refused to allow “breathing space” on his account and were wrong to suggest they were exempt from the breathing space scheme and wrong to continue to pursue the debt during this time. He is also unhappy that they didn’t agree to freeze interest and charges on his account when asked to by a debt charity acting on his behalf and that they haven’t taken proper account of his disability.

What happened

I issued my provisional decision on this complaint earlier this month. An extract from that provisional decision is set out below.

What I’ve provisionally 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 don’t currently agree with the investigator’s findings. I don’t think the business were entitled to charge interest during the breathing space and I think the compensation proposed is a little low. I also think Prodigy should have been more proactive to try to help Mr F. I’ll explain.

Where the information I’ve got is incomplete, unclear, or contradictory, as some of it is here I have to base my decision on the balance of probabilities.

I’ve read and considered the whole file, but I’ll concentrate my comments on what I think is relevant. If I don’t comment on any specific point it’s not because I’ve failed to take it on board and think about it but because I don’t think I need to comment on it in order to reach what I think is the right outcome.

The breathing space scheme Mr F used a fixed sum loan to finance his student fees. That loan is a regulated agreement and as such we are able to consider complaints about it.

The Insolvency Service’s guidance for creditors (“Respite Relief Scheme (Breathing Space) guidance for creditors) explains that student loans are exempt from the scheme. But that refers to government loans and not to personal loans such as Mr F’s.

Having considered the guidance I’m persuaded that Mr F’s personal loan with Prodigy was one that qualified for breathing space and that Prodigy should therefore have provided that respite.

Prodigy have accepted that, and they subsequently applied the relevant breathing space to Mr F’s account.

They say the scheme allows them to charge interest on the “principal” during that period, but the guidance says:

“Interest can still be charged on the principal in secured debt, but not on arrears”

This wasn't a secured debt so no interest should have been charged during the breathing space and any that has been should be refunded.

I think Prodigy should also compensate Mr F for the distress and inconvenience he's experienced as a result of the mistake they made when refusing to apply the breathing space. The investigator suggested £75 would be sufficient but I don't agree.

This is a significant loan and Prodigy had been contacted by a debt charity on Mr F's behalf who had also asked them to agree to payments under a debt management plan. Mr F has provided medical evidence to explain his condition. That information suggests a second line medication was prescribed in January 2022 after he was referred for further treatment. Mr F has explained that Prodigy's refusal to initially allow the breathing space and their insistence on chasing the debt and threatening legal action, made his condition worse. I think, that's likely to have been the case here as Mr F was clearly in difficulties and this indebtedness was particularly significant. In those circumstances I think Prodigy should provide more compensation. Having considered our guidelines on compensation for distress and inconvenience I think £300 would be fair in the circumstances.

Financial difficulties

Having received a letter from the debt management charity, and a proposal to make payments under a debt management plan, I think it should have been clear to Prodigy that Mr F was experiencing financial difficulties.

Guidance for creditors on what to do in those circumstances is provided in various sources including in the Consumer Credit Sourcebook ("CONC") Section 7, the Lending Standards Board's Standards of Lending Practice, and in the Finance and Leasing Association's (FLA's) lending code.

Put simply a lender should treat a consumer in financial difficulties fairly.

We'd expect a lender to listen to a borrower, get an understanding of their individual circumstances and discuss what help is appropriate. Lenders should deal with cases of financial difficulty sympathetically and positively and should do what they can to help borrowers pay what they owe. They may then consider:

- *Suspending, waiving, or cancelling any further interest or charges.*
- *Allowing arrears to be deferred where immediate payment could cause payments to be unsustainable or where the term would not be increased excessively.*
- *Accepting token payments for a reasonable period of time in order to allow the consumer to recover from unexpected reduction in income.*
- *Not refusing reasonable affordable repayment proposals.*

But that list isn't exhaustive.

In their emailed response to Mr F on 25 November 2021 Prodigy explained that they didn't accept the debt management plan proposals. I can't see they explained why, but they did refer Mr F to their collections team if he wished to discuss "forbearance options".

I think Prodigy should have been more proactive than that. So, I'm asking them to review Mr F's account in light of their knowledge of his disability (it's clear they're aware of that now, even if they weren't earlier, as they've suggested) and his financial difficulties. They'll need to consider his situation sympathetically and positively and do what they can reasonably do

to help Mr F pay what he owes.

My provisional decision

For the reasons I've given above I'm expecting to uphold this complaint and to tell Prodigy Finance LTD to:

- *Pay Mr F £300 to compensate him for the distress and inconvenience caused.*
- *Ensure the account balance is recalculated to remove any interest Prodigy incorrectly applied during the breathing space.*
- *Review Mr F's account with him taking into account his disability and any financial difficulties and see what they can reasonably do to help him pay what he owes.*

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.

Prodigy accepted my provisional decision. They said, *"We could have done more to treat this customer fairly and we have already started updating our processes to align with the breathing space regulations"*.

Mr F also agreed, and he asked for a formal apology from a senior member of staff.

Putting things right

I've not been provided with any information that would lead me to change my provisional decision and I don't think Prodigy need to apologise more formally to Mr F. They've made it clear that they will now realign their processes and work with Mr F to ensure things are put right for him - I think that and the redress I'm suggesting is sufficient.

My final decision

For the reasons I've given above I uphold this complaint and tell Prodigy Finance LTD to:

- Pay Mr F £300 to compensate him for the distress and inconvenience caused.
- Ensure the account balance is recalculated to remove any interest Prodigy incorrectly applied during the breathing space.
- Review Mr F's account with him taking into account his disability and any financial difficulties and see what they can reasonably do to help him pay what he owes.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 25 August 2022.

Phillip McMahon
Ombudsman