

The complaint

Mr M complains that The Royal Bank of Scotland Plc (RBS) refused to extend the term of his loan and reported adverse information on his credit file.

What happened

RBS agreed payment deferrals in respect of Mr M's loan account from April – September 2020. A further three-month financial hardship plan was agreed when Mr M's circumstances hadn't improved by October 2020.

Mr M says he was told that when he was able to recommence his monthly contractual payments, the loan term would be extended to allow for the deferred payments to be paid at the end of the loan. However, when he contacted RBS to recommence his payments, he was told he would need to repay the arrears over 12 months in addition to his normal monthly payment. As this wasn't affordable and contrary to what he been told before, he complained to RBS.

RBS reviewed Mr M's concerns. In response, it said that a term extension would've been available if Mr M had been able to restart his payments at the end of the initial six-month payment deferral period. But as Mr M entered a separate financial hardship at this point (as his circumstances hadn't improved), he no longer qualified for a term extension.

RBS acknowledged that Mr M may not have been given this additional information, so it credited his account with £100 compensation. It also said that deferral interest on the arrears was being refunded and that a further refund had been applied to bring this up to date. It added that any further interest due would be discussed when a Mr M contacted it to discuss a plan for repayment of the arrears. RBS also explained that Mr M's credit file has been impacted due to the financial hardship plan Mr M entered after the payment deferral period had ended.

Unhappy with this response Mr M referred his complaint to this service. At this point, RBS told us that it was willing to increase the compensation payment by a further £150. One of our investigators put the offer to Mr M but he didn't accept it. So, the investigator looked into Mr M's complaint to decide if the offer was fair.

He accepted that RBS may not have explicitly explained to Mr M that a term extension wouldn't be available if he was wasn't able to recommence contractual payments at the end of the six-month period. But, even if it had, he didn't think Mr M would've done anything different as he was in financial difficulty. So, he thought RBS' increased offer of compensation was fair.

Mr M didn't agree. In summary he said he would've been able to explore other options had RBS given him the correct information when he was making a crucial financial decision. And that he didn't think it was fair that RBS expected him to pay double the amount of his normal payment when the financial hardship plan expired.

The investigator considered everything Mr M had said. But he didn't think this altered the outcome he had reached. So, Mr M's complaint has been passed to me to make a final

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 reached the same overall conclusion as our investigator for broadly similar reasons. I appreciate Mr M will be disappointed. So, I'll explain why.

Due to the Covid 19 pandemic, the Financial Conduct Authority (FCA) issued temporary guidance to lenders. The guidance set out that lenders should offer consumers - who were financially impacted directly due to the pandemic, a three-month payment deferral with no impact on their credit file. This was later extended to six months.

From what I've seen, Mr M's financial difficulties started in April 2020 when he lost his job at the start of the pandemic. And there is no dispute that Mr M was provided with six months payment deferrals and I haven't seen anything to suggest any adverse information was recorded on his credit file during this period. So, I'm satisfied RBS treated Mr M fairly in this respect.

As the pandemic evolved, the FCA announced changes to its Covid guidance. But ultimately, the maximum number of payment deferrals a lender was required to offer was six. After this, if a consumer was still suffering financial difficulties, a lender was required to offer tailored support.

While the FCA set out some examples of what tailored support might look like, these weren't specific examples of what a lender was obliged to do. Overall, I consider the general principle was for a lender to treat consumers in financial difficulty positively and sympathetically based on their own individual circumstances - in keeping with the regulations which existed before the pandemic. But once a consumer had exhausted the initial six-month payment deferrals, lenders were also required to start reporting account information to the CRA.

In Mr M's case, it's not in dispute that RBS offered him a financial hardship plan. RBS agreed to Mr M making reduced monthly payments for a few months and it refunded some accrued interest. So, I'm satisfied that RBS was treating Mr M positively and sympathetically. And, given what I've explained above, and taking into account it's not in dispute that Mr M was unable to recommence his contractual payments at the end of the six-months, I'm satisfied that RBS didn't do anything wrong in recording with the CRA that Mr M wasn't making his contractual payments from October 2020.

But the crux of Mr M's complaint is that he wasn't told that a term extension would only be available if he could recommence his contractual payments at the end of the payment deferral period.

I don't dispute that when Mr M first contacted RBS he was told that a term extension would be an option when the payment deferrals came to an end. This is something that lenders were agreeing to do given the wider circumstances at the time and the temporary Covid guidance. But at this time, it was generally thought the impact of the pandemic would be temporary, and that consumers would be able to re-start their contractual payments in the short-term. Of course, we now know the impact of the pandemic affected some consumers for much longer than expected. But I don't think RBS would've known this when it agreed

Mr M's payment deferrals. So I don't think it was required to cover every possible eventually that may have occurred at the end of the payment deferral period at this time.

That said, RBS has accepted that it didn't explain that a term extension wouldn't be an option when Mr M entered the subsequent financial hardship plan. It initially offered £100 compensation – since increased to £250 in total, for this omission. So, I've thought carefully about whether providing clearer information at this point would've prompted Mr M to do anything differently.

As the investigator has explained, when a business omits to tell a consumer information which might impact their decision making, we have to decide – on balance, what we think the consumer would've most likely done had the information been given correctly.

Here, Mr M has said he would have made explored other options – such as, refinancing. But it's not in dispute that Mr M was experiencing financial difficulties and was unable to meet his contractual payments. So, I think it's unlikely that RBS or another lender would have agreed to a refinance his loan. And Mr M hasn't said what other options he may have had and given his financial situation. Overall, I haven't seen anything to make me think there was another reasonable alternative to the support offered by RBS. So, I think it's most likely that Mr M would've always agreed to the payment deferrals and subsequent financial hardship plan.

Mr M has also said that when he was able to recommence payments, RBS required him to clear the arrears in full or repay them over 12 months which effectively meant his monthly payments would double. But he didn't think this was fair.

But from what I've seen, when Mr B explained that he couldn't afford the amount required, he was asked to complete an income and expenditure breakdown. I consider this to be good practice. It would allow RBS to assess Mr M's financial situation and enable it to agree a sustainable repayment plan that was affordable for Mr M. So, while RBS' initial suggestions may have been more than Mr M could afford, I'm persuaded RBS was looking to consider alternative arrangements.

I can see that M has also mentioned that RBS refused to suspend collection activity while his complaint was on-going. So, I think I should explain that a lender is under no obligation to suspend collection activity because a complaint has been raised. Nor can we tell it to do so. But I can see that RBS did agree to suspend recovery action in September 2021.

From what Mr M has said, it seems he was looking to this service to facilitate a payment arrangement being put in place with RBS. But that is not something we can do. Our role is to look at the circumstances of the complaint and decide if a business has done something wrong and, if so, what it needs to do to put things right.

In this case, I'm persuaded that overall RBS supported Mr M during his financial difficulties – by offering payment deferrals, reduced payments and suspending/refunding some interest. And it has offered to look into what other support may be available going forward. This is what I would expect a lender to do.

I understand that Mr M has since been in contact with RBS about his outstanding loan. But he has raised further concerns about interest that has accrued on the arrears. But that is a separate complaint and does not form part of this decision. So, I would urge Mr M to continue his repayment discussions with RBS – even if that complaint is on-going.

Putting things right

It's not in dispute that RBS omitted to give Mr M some information. It has paid Mr M £100 compensation and offered a further £150 in recognition of this. I think that offer is fair given the reasons I've explained above.

My final decision

For the reasons given, I partly uphold this complaint.

The Royal Bank of Scotland Plc should now pay Mr M a further £150 compensation in addition to the £100 already paid - £250 total (if it hasn't already done so).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 October 2022.

Sandra Greene
Ombudsman