

The complaint

Ms P and Mr K have complained about a secured loan they held with Elderbridge Limited.

What I've decided – and why

In February 2007 Ms P and Mr K took out a loan with a lender I'll call G. They borrowed £22,500 (plus a £150 fee) over a 25-year term on a repayment basis. The interest rate was 10.35% variable, which gave a monthly payment of £215.54.

In July 2016 the loan passed to Elderbridge. There was a period of arrears in 2018/2019, and the loan was repaid in November 2021 when the property was sold.

In May 2021 Ms P complained to Elderbridge about the loan. She was unhappy about how much needed to be paid back, the interest charged and the remaining balance at that time.

Elderbridge didn't uphold the complaint and so Ms P and Mr K referred it to our service.

Our investigator said we can't look at the original sale of the loan because that complaint hadn't been made in time. He considered the remainder of the complaint which related to how Ms P and Mr K had been treated whilst in financial difficulties and upheld elements of that.

Elderbridge didn't agree and so the case was referred to an ombudsman to decide.

I issued a provisional decision earlier this month, the findings of which said:

"I trust Ms P and Mr K won't take it as a discourtesy that I've condensed their complaint in the way that I have. Ours is an informal dispute resolution service, and I've concentrated on what I consider to be the crux of the complaint.

Although I've read and considered the whole file I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

I've listened to the calls between Ms P and Elderbridge since March 2018, and it was really pleasing to hear how engaged both parties were in the process. Ms P was giving regular updates to Elderbridge, and Elderbridge handled the calls with empathy to Ms P's situation.

My reason for listening to the calls was so I could decide if there was a point I felt Elderbridge should have offered Ms P and Mr K more support, and if so what I felt that support should have been. The actual calls were important in this case, rather than just the call notes, as it gives me an idea of the parties' understanding of the situation at the time, as well as the tone used.

The following calls are key:

19 March 2018 - Ms P said there was a delay in her receiving her pay (she was self-employed), but that hopefully it was just a one off and that she'd receive it the following week. She mentioned that Mr K was out of work, and asked whether there was a way to reduce the monthly payments.

29 March 2018 - Ms P said she couldn't pay that month. She was asked if the payment was affordable, and she said it wasn't, and she'd have to try and borrow it. She was told not to exhaust another lending option to make the payment, and the costs of spreading the payment over a number of months was discussed. Ms P again asked about the possibility of reducing the monthly payments.

19 April 2018 – Ms P said she probably wouldn't be paid until the following week, and there was a discussion about possibly changing the payment due date.

27 April 2018 – Ms P said she still hadn't been paid, and would try to make her loan payment by the end of the following week.

21 May 2018 – Ms P said she was waiting to get paid again and was hoping to have it by Friday. It was also discussed that paying by debit card rather than direct debit was better for Ms P and Mr K at that time as it gave flexibility on the payment date.

20 August 2018 – Ms P said the monthly payment was due that day, but she was waiting to get paid. She anticipated that she'd be paid that week, but didn't know when.

28 August 2018 – Ms P had just received her pay and Elderbridge was the first company she was phoning. She said she'd been paid £250 and she needed to pay Elderbridge £252, so she had no money left for anything else. She said she hoped she would win the lottery, and again asked whether there was any way to change the loan payments.

26 September 2018 – Ms P said she was waiting to be paid, and whilst she hoped it would be by the end of the week it was hit and miss. She was asked if anyone could support her to make the payment, to which she said that all she could do was make the payment when she was paid. Ms P said it was difficult as Mr K wasn't working at that time so she was trying to pay all the bills by herself, and she was self employed.

9 October 2018 – the September payment had been made the day before. Ms P said Mr K was out of work due to ill health, and that it was just her income. It was confirmed the next payment needed to be made by 20 October.

26 October 2018 – Ms P apologised for paying late, and said it was the same situation as the previous month in that she is self employed and waiting for people to pay her. She said she hoped she be paid within the next two weeks, and so a note was put on the account that she'd make the October payment by 9 November.

13 November 2018 – Ms P said she was unable to make the payment due on the 20th as she'd not been paid. She said she had no money to eat or anything, and she was just ringing to let Elderbridge know that as soon as she was paid, she'd make the payment.

20 November 2018 – Ms P said she had problems with the payment due last month as she was self employed and hadn't been paid. She said she was due to receive some money that week, but by then another monthly payment would fall due. She wanted to know if she could make both payments together, although she didn't know when it would be.

29 November 2018 – Ms P now owes two monthly payments, but still hadn't been paid. She said she was due to receive some money any day and she would make both payments when she received the funds. She said she didn't know when it would be. She said Mr K was out of work, and that it was stressful with everything falling on her.

I think, by the end of November 2018, Elderbridge should have thought about having a more detailed conversation with Ms P about her and Mr K's circumstances. That's because there are eight months of calls that, whilst Ms P is saying it is a temporary situation, indicate a deeper problem as the same issue was recurring each month. By September 2018 Ms P had indicated that she was struggling with just her income paying the bills, and in November 2018 she said she had no money to eat. In October 2018 she'd said the reason Mr K wasn't working was due to his health, which could have indicated this was potentially a longer term issue. She'd also asked on a few occasions whether her payments could be reduced to help her.

Whilst Elderbridge did mention looking into a possible temporary concession in March 2018, this wasn't really pushed forward and explored as I think it should have been over the following months. It wasn't until April 2019 that Elderbridge undertook an income and expenditure assessment with Ms P, and that showed that her and Mr K's outgoings were higher than their income.

By the end of November 2018 there were eight months of calls and two missed payments, and the situation seemed to be deteriorating with Ms P saying they couldn't afford to eat.

I can hear in the calls that Elderbridge was trying to reassure Ms P that as long as she stayed in contact then it wasn't looking to take any action and, as I've said above, I was pleased to hear how the calls were handled in terms of showing empathy and understanding. But I can also see that Ms P was downplaying matters as she was concerned about losing her home, and I think Elderbridge needed to step in sooner to undertake an income and expenditure assessment so it could consider what support it could offer Ms P and Mr K.

Unfortunately, as an assessment wasn't undertaken at that point I can't say for sure what support Elderbridge would likely have offered and whether that would have been appropriate. It seems likely, based on the calls and the later income and expenditure assessment, that there was no – or very limited – affordability there for monthly payments.

As an affordability assessment wasn't undertaken at that time, I've had to decide what support I think Elderbridge ought reasonably to have put in place at that time – that is from December 2018. Having done so, due to the lack of information to the contrary and based on the likely nil - or very limited - affordability, I think it would have been reasonable for Elderbridge to have converted the account to a 0% interest rate at that time, on a temporary basis. That would have meant that whilst Ms P and Mr K looked at options to possibly improve their situation the debt wouldn't have been increasing month on month due to the addition of interest.

That wouldn't have been a long-term solution in this case, and I think it was right that Elderbridge had various conversations with Ms P about paying the arrears in 2019. Elderbridge and Ms P were in discussions about an arrangement to pay the arrears over the remaining term of the loan, and it was left that Ms P would discuss that with Mr K. The next discussion about the arrears was a call from Ms P on 6 August 2019 in which she said they'd clear the arrears in one go as a relative was going to help them. She said that would be a weight off her mind, and adding it onto the debt over the term would have

increased the amount due from around £1,000 to around £4,000 (due to the addition of interest).

The arrears were cleared on 14 August 2019, and the direct debit was reinstated. The payments were then all successfully made (other than Covid payment deferrals, as allowed under the Financial Conduct Authority's guidance) until the property was sold and the loan was repaid in November 2021.

Having considered everything I think by the end of November 2018 Elderbridge should have realised this was more of a problem than Ms P was indicating in the calls and it therefore should have stepped in at that time to undertake an income and expenditure assessment and assess what support it should put in place. I'm also satisfied that it was in Ms P and Mr K's best interests that the arrears were cleared in August 2019 as a lump sum, and that they were able to maintain the full payments from that date.

I'm minded to say that Elderbridge should have offered support to Ms P and Mr K between 1 December 2018 and 14 August 2019 (inclusive), and in the absence of information to show a better option I consider that support should have been a reduction in the interest rate to 0%. From 15 August 2019 I'm satisfied it would have been reasonable for the interest rate to revert to the normal charging rate for this account up until the loan was redeemed.

I now turn to whether any payment should be made in respect of any distress and inconvenience caused to Ms P and Mr K in this matter. I've considered this point very carefully and I'm currently minded to say that £150 would be fair and reasonable. I say this because whilst I'm sure it would have been a relief to Ms P and Mr K for the interest to be waived for a period of time, I feel that the fact things weren't progressed by Elderbridge at that time came from a good place in that it was trying to support and reassure Ms P. For that reason I feel, whilst a payment is due, it would be lower than that initially recommended by our investigator and £150 seems reasonable."

I closed by saying:

"I'm provisionally minded to uphold this complaint and order Elderbridge Limited to:

- Reconfigure Ms P and Mr K's account as if it had a 0% interest rate from 1 December 2018 to 14 August 2019 (inclusive). As this would have led to an overpayment being made on redemption then that sum should be refunded to Ms P and Mr K, plus interest at 8% simple per annum † from the date of redemption until the date of settlement.
- Pay Ms P and Mr K £150 compensation.

† HM Revenue & Customs requires Elderbridge to take off tax from this interest. Elderbridge must give Ms P and Mr K a certificate showing how much tax it has taken off if they ask for one.

I understand Ms P and Mr K have separated so I'm minded to say the funds should be split 50/50 between them, unless we have independent confirmation in writing from both Ms P and Mr K of what alternative split should be used."

Elderbridge confirmed receipt of my provisional decision and, despite us agreeing to a slight extension to allow it further time to respond, didn't send any further submissions. Ms P and Mr K accepted my provisional findings, just querying a small point:

“Just wanted to highlight to you, it’s mentioned that the monthly payment to Elderbridge was £215.54 a month but it was higher than that, £252 and I think even £279 at one point. Could you check on this please? Just want to ensure the figures they’re working with are correct.”

I can confirm I’m working with the correct figures; the reference to £215.54 in my decision was in the background section and refers to the original monthly payment set out in the loan agreement in 2007. I understand that since then the monthly payment has varied.

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, and having considered the full file afresh, I see no reason to depart from my provisional findings.

My final decision

I uphold this complaint and order Elderbridge Limited to:

- Reconfigure Ms P and Mr K’s account as if it had a 0% interest rate from 1 December 2018 to 14 August 2019 (inclusive). As this would have led to an overpayment being made on redemption then that sum should be refunded to Ms P and Mr K, plus interest at 8% simple per annum † from the date of redemption until the date of settlement.
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Under the rules of the Financial Ombudsman Service, I’m required to ask Mr K and Ms P to accept or reject my decision before 27 March 2023.

Julia Meadows
Ombudsman