

The complaint

Mr P complains that the settlement figure given to him by Lendable Ltd is incorrect. He says his own calculations show that it should be lower, because no interest should've been charged during the pandemic.

What happened

Mr P holds a loan with Lendable. The loan was for £12,820 and was taken out on 1 August 2019 for a term of 60 months with monthly repayments of £318.20.

In March 2020 Mr P contacted Lendable and asked for support with his payments. Lendable agreed a payment plan with Mr P whereby his payments were reduced to £50 per month. It was agreed that the payment plan would last for 4 months and after that Mr P's payments would revert to the contractual payment of £318.20 per month.

In October 2020 Lendable agreed a further payment plan with Mr P whereby his payments were reduced to £50 per month. It was agreed that the payment plan would last for 2 months and after that Mr P's payments would revert to the contractual payment on 1 January 2021.

In December 2020 Lendable agreed a further payment plan with Mr P whereby his payments were reduced to £50 for the next 3 payment dates.

In May 2024 Mr P asked Lendable for a settlement figure. Lendable advised Mr P that if he settled the loan in full, the settlement figure was £4,392.82.

Mr P disputed the settlement figure. He said it was around £900 more than it should be.

Lendable explained that interest needed to be taken into account when calculating the settlement figure.

Mr P disagreed. He said he shouldn't be charged interest when he was in a payment plan. He complained to Lendable.

Lendable didn't uphold the complaint. In its final response dated 2 July 2024, Lendable explained that when a customer is on a reduced payment plan, the part of the contractual payment that has not been made that month will be added to the arrears balance. The arrears balance extends the term of the loan. Lendable said that because interest accrues daily, any extension to the term of the loan could affect how much you pay overall. Lendable said that full details of how interest accrues were provided in the loan agreement. Lendable said that at the time of putting reduced payment plans in place during the pandemic, it didn't freeze interest automatically as part of the plan. It said the government regulations at the time did not specify that interest had to be frozen. Lendable said that as Mr P had payment plans in place in which he made 9 reduced monthly payment of £50, this meant that the term of his loan had been extended and interest would've accrued as explained. Lendable said the settlement figure provided to Mr P was correct.

Mr P remained unhappy and brought his complaint to this service. He said that there was a

government directive during the pandemic which said that consumers were to be given a 6 month interest break on their loans.

Our investigator didn't uphold the complaint. He said that Lendable hadn't made an error with interest accruing during the reduced payment plans and said the settlement figure had been correctly calculated.

Mr P didn't agree so I've been asked to review the complaint.

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.

I know it will disappoint Mr P, but I agree with the investigators opinion. I'll explain why.

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.

I've reviewed the loan agreement. This shows that Mr P took out a loan with Lendable on 1 August 2019 for £12,820 for a term of 60 months with monthly repayments of £318.20. the total sum repayable under the agreement was £19,106.81.

The total sum repayable figure of £19,106.81 is calculated on the basis that Mr P made the full contractual payment of £318.20 on time every month for the duration of the loan.

In Mr P's case, he didn't make the full contractual payment every month for the duration of the loan. On three occasions in 2020 Mr P entered into a reduced payment plan with Lendable. Whilst in the reduced payment plans, Mr P paid substantially less than the full contractual payment. In total, Mr P paid 9 reduced payments of £50 per month.

I've reviewed the letters that were sent to Mr P each time he agreed a reduced payment plan. In each of the letters, Lendable has made it clear that interest will continue to accrue in line with the loan agreement for the duration of the payment plan. Because of this, I'm satisfied that Mr P was aware – or ought to have been aware – that interest would continue to be charged on the loan during the reduced payment plan.

Mr P has said that interest shouldn't have accrued whilst he was in the payment plan. He's referred to a government directive which said that consumers were to be given a 6-month interest break.

I understand why Mr P has raised this point. It's correct that during the pandemic, "payment holidays" were introduced. This type of arrangement was announced by the Financial Conduct Authority in response to the effects of the pandemic on consumers. Consumers were allowed to ask for a total of two payment holidays. Each payment holiday could last for three months. During the payment holiday, interest was still payable and had to be made up at the end of the agreement.

There's another type of arrangement called a payment break. This is where consumers who are in financial difficulty and finding it hard to make payments could ask for a payment break. In line with Financial Conduct Authority guidance. No interest is charged during a payment break. No monthly payments are required during a payment break. A payment break is reported to the credit reference agencies and will show on a consumers credit file.

Mr P didn't agree a payment holiday or a payment break with Lendable. He agreed a reduced payment plan, which is a different type of arrangement. A reduced payment plan is where a consumers payments are reduced for an agreed period of time. Interest continues to accrue during the reduced payment plan and the plan isn't reported to the credit reference agencies.

Because Mr P agreed a reduced payment plan, where he made nine reduced payments, this meant that the amount of contractual monthly payment which wasn't paid each month that Mr P paid £50 was added on to the end of the loan, as well as accrued interest.

Based on the information that I've seen, I'm unable to say that Lendable has made an error by applying interest to the loan during the reduced payment plan. I haven't seen anything to suggest that the settlement figure provided to Mr P is incorrect. For the reasons I've explained, I'm unable to uphold the complaint.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 1 November 2024.

Emma Davy
Ombudsman