

The complaint

Mr B complains about a loan he applied for with Marks and Spender Financial Services Plc (MSFS). He signed and returned a loan agreement with an Annual Percentage Rate (APR) of 6.2% but later received a new loan agreement with an APR of 8.9%.

What happened

On 16 July 2024 Mr B applied for a loan with MSFS. The application was referred to the underwriters, who accepted it at an APR of 8.9%.

On 19 July 2024 Mr B was sent a loan agreement with an APR of 6.2%, which he signed and returned.

On 24 July 2024 Mr B was sent another loan agreement with an APR of 8.9%, which he signed and returned.

On 25 July 2024 Mr B called MSFS to chase the funds and to query the rate at which the loan had been accepted.

The call handler advised Mr B that the first agreement had been sent in error and explained that they weren't able to give Mr B the rate of 6.2%. MSFS offered compensation of £75. Mr B wasn't happy and said he wanted the difference in interest between the two APR's as compensation.

MSFS re-opened the complaint and reviewed its offer of compensation. It offered Mr B compensation of £300 for the error.

Mr B remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. He said that MSFS had made an error, but the offer of compensation was fair.

Mr B didn't agree. He said he thought MSFS should compensate him for the difference in the total repayments he would be making. He said that even if only 50% of the difference was refunded this would be fairer.

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 B, 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 its 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 both loan agreements that Mr B signed and returned. The first agreement was for a loan of £16,000 over 84 months with an APR of 6.2%. The total amount repayable under the agreement was £19,657.20. The second agreement was for a loan of £16,000 over 84 months with an APR of 8.9%. The total amount repayable under the agreement was £21,328.12.

I've reviewed the system notes provided by MSFS. These show that the loan was referred to the underwriters on 18 July 2024 and was accepted at an APR of 8.9%. On 19 July 2024 MSFS issued the incorrect agreement in error. It subsequently identified the error and issued the correct agreement on 25 July 2024.

I've reviewed the underwriting information. This contains business sensitive information and I'm unable to refer to it in detail in this decision. However, having reviewed it, I'm satisfied that the underwriters completed checks on 18 July 2024 and approved the loan at an APR of 8.9%. I haven't seen any evidence that the loan was ever approved at an APR of 6.2%.

Based on what I've seen, I'm satisfied that MSFS made an error when it sent out the first loan agreement with an APR of 6.2%. If MSFS hadn't made an error, the first – and only – loan agreement Mr B would've received would have shown the APR as 8.9%.

MSFS has offered Mr B compensation of £300 in recognition of the error. I appreciate that Mr B doesn't think this goes far enough. He's said he wants the difference between the two APR's, which is £1670.92. Mr B has said that as an alternative he would accept 50% of this.

I understand why Mr B feels that the matter should be resolved in the way he suggests. However, I don't think it would be fair to hold MSFS to the terms of an agreement which was issued incorrectly due to an administrative error. The information I've seen shows that it was MSFS's intention from the outset to offer the loan at 8.9%. It's not the case that MSFS changed their minds about the APR after the first agreement was signed.

MSFS corrected its error within a short time and sent the new agreement to Mr B on 24 July 2024. Mr B signed and returned the agreement. If Mr B wasn't happy to proceed with the loan at an APR of 8.9%, he had the option not to sign and return the agreement. Alternatively, Mr B could've returned the funds after he received them if he didn't want to proceed with the loan at that rate.

I appreciate that Mr B has said that he didn't read the agreement properly and thought he was signing to release funds. However, having reviewed the agreement, I'm satisfied that it looks like a loan agreement. Ultimately, - and whilst I appreciate that Mr B has said he was so excited to be getting a car that he didn't read the agreement in full - it's Mr B's obligation to read a document before he signs it.

Taking everything into account, I'm satisfied that the compensation of £300 offered by MSFS fairly reflects the distress and inconvenience caused to Mr B. I won't be asking MSFS to do anything more.

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 B to accept or reject my decision before 23 December 2024.

Emma Davy

Ombudsman