

The complaint

Mr and Mrs J complain that they have had to repay much more than they expected to settle their second charge secured loans with Central Trust Limited. They consider that they have been overcharged and treated unfairly.

What happened

Mr and Mrs J took out a second charge secured loan with Central Trust in February 2008. They borrowed £39,500 plus fees of £2,665 over a term of 25 years at a variable interest rate, initially 12.948%. The monthly payments of capital and interest were around £475. I'll call this loan "Loan 1".

In June 2008 Mr and Mrs J took out another secured loan with Central Trust. They borrowed £4,850 plus fees of £780 over a term of 7 years. This loan was also on a variable rate of interest which was set at the same initial rate as Loan 1, and it was also on a repayment basis. The monthly payments were around £100. I'll call this loan "Loan 2".

Mr J says he lost his job not long after taking out the loans in 2008 and he and Mrs J struggled to afford the loan payments. Loan 1 went into arrears in 2008 and Loan 2 went into arrears in 2009. In July 2009 Central Trust instructed solicitors because of the level of arrears on Loan 1, and a court hearing date was set in autumn 2009. The hearing was adjourned after Mr and Mrs J made a lump sum payment to reduce the arrears and agreed a payment arrangement to cover the contractual monthly loan payments plus an amount towards the remaining arrears.

That arrangement was however only maintained for a month. In the years that followed the loan arrears went up and down. They were cleared at some points but always built back up again. Central Trust and Mr and Mrs J were in regular contact, with various payment arrangements and other concessionary measures put in place, and legal action instructed several times when payment arrangements weren't maintained.

In 2010 Central Trust obtained a possession order. This was never enforced because of the payments Mr and Mrs J were able to make and the concessionary arrangements Central Trust agreed.

In June 2023 Mr and Mrs J repaid both loans in full. They were unhappy about the amount they had to repay. The settlement figure for Loan 1 was around £68,000 – Mr and Mrs J thought that was far too much given the amount they had originally borrowed and the amount they had paid over 15 years.

Mr and Mrs J made a complaint. Central Trust said it had done nothing wrong and that Mr and Mrs J had repaid more than they might have expected because payments hadn't been made on time, which had resulted in extra fees and interest being added to the loans.

Mr and Mrs J asked us to look into their complaint. Our Investigator looked at the history of their loans and said that she thought there was a point at which Central Trust should have done more to support Mr and Mrs J. She said that point was in December 2022, following an

income and expenditure assessment which showed that Mr and Mrs J couldn't afford to get the loans back on track. She recommended that Central Trust refund the interest it had charged on the arrears and fees balances from 6 December 2022 onwards, pay annual simple interest of 8% on that sum, and pay Mr and Mrs J £400 compensation.

Central Trust said it had tried to engage with Mr and Mrs J and to support them over the years. It also said that no arrears or legal fees had been applied to the loans since 6 December 2022, it had applied simple rather than compound interest to all earlier fees and charges, and it had stopped charging any fees or interest on Loan 2 when the term of that loan ended in 2015 even though a balance remained outstanding on which interest would usually be applied. It still thought it had treated Mr and Mrs J fairly.

Central Trust said it would however pay compensation in line with the Investigator's recommendation in order to bring this complaint to a close. It offered to refund interest totalling £466.70, pay interest on that sum of £70.27 calculated to the date of its offer on 30 April 2025 and pay £400 for distress and inconvenience (£936.98 in total).

Mr and Mrs J weren't prepared to accept that offer. They said it didn't reflect the enormous stress and anxiety Central Trust had put them through, particularly given their health issues. They said they would consider accepting £6,500.

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 was sorry to read about how difficult things have been for Mr and Mrs J – they have been in and out of employment over many years and they have both had health problems in that time. I've taken account of everything they have told us about this as well as their circumstances as reflected in Central Trust's records of conversations with them. Having done so however I've concluded that I can't fairly require Central Trust to increase its offer of compensation.

Mr and Mrs J took out these loans and initially fell into arrears with the repayments more than 15 years before they made this complaint. As our Investigator explained, part of their complaint therefore falls outside the time limits I must apply. However, I have considered whether Central Trust's treatment of Mr and Mrs J over the years resulted in an unfair relationship between them. I don't think it did.

While Mr and Mrs J had to repay more than they originally borrowed on the loans, that would always have been the case because of the addition of interest. The initial interest rate on both loans and the variable nature of the rate were set out clearly in the loan agreements. On top of the interest that would have been payable if the loans had operated as they should, the missed payments meant the loan balances didn't reduce as quickly as they should have done. This meant that more interest was charged on the loans than would have been the case if all the payments had been made in full and on time.

The loan balances were higher than they should have been because of the missed payments and the additional fees and charges, so more interest was charged. As a result, the monthly payments Mr and Mrs J were making were no longer enough to repay the loans by the end of their terms, and when they came to repay the loans in 2023 the amounts they had to pay were more than they would have been if payments had all been made as originally agreed.

I've looked carefully at Central Trust's records of how it has administered the loans over the years and in particular at what support it offered Mr and Mrs J when they were in financial difficulty. It was in regular contact with Mr and Mrs J and when it was not it tried to get in touch with them if necessary. It went through their income and expenditure with them multiple times and set payment arrangements which appeared to be affordable. It said as early as 2009 that it would look at capitalising the loan arrears if Mr and Mrs J could pay the contractual monthly loan payments plus an extra £100 for three months. Unfortunately that arrangement wasn't sustainable.

Central Trust's records show that Mr and Mrs J's first charge mortgage lender also began legal action a number of times, and Central Trust suggested on multiple occasions that Mr and Mrs J take independent advice about their financial situation. It also stopped legal action when it appeared from what Mr and Mrs J told it that their circumstances had improved enough for them to reduce the loan arrears and come to what appeared to be sustainable payment arrangements. Interest and fees have been applied in line with the loan terms, and Central Trust has pointed out that it hasn't added any arrears fees to either loan since August 2020.

I also find that Central Trust explained to Mr and Mrs J what the impact of not having a payment arrangement in place would be and what the loan arrears meant for the overall balances of the loans. In October 2016, for example, it emailed Mr and Mrs J saying:

"You've missed or under-paid on a number of monthly instalments recently, and I've been struggling to contact you to discuss your arrangement. It's really important we get this resolved, as you are currently being charged £53 every month you fail to pay the minimum monthly instalment. You will also be paying additional interest and put your home at risk. These fees are avoidable if we are able to put you on a new arrangement which you are able to maintain. Please do get in touch and I'll do what I can to help."

In January 2017 it sent Mr and Mrs J an email saying:

"the current outstanding balance of £54,872.36 on [Loan 1] is actually £12,707.36 higher than the amount you originally borrowed in 2008. This is due to the general conduct of your account and the fact that the amount of interest being charged to your account over the last 6 months has averaged £615.54 together with the £53.00 monthly administration fee that is applied when you have not made a payment of at least the contractual monthly instalment. This means that every month you are making increased payments of £600.00, your balance will still increase on average by £15.54. It's really important we get this resolved [...]"

It wrote to them in similar terms multiple times over the years. In doing so it made clear to them that the loans were off schedule and wouldn't be repaid within the remaining terms unless Mr and Mrs J were able to increase their payments. The loan statements sent to Mr and Mrs J each year since 2012 set this out as well and included an estimate of how much they would need to pay each month in order to repay the loan by the end of the term.

In all the circumstances, I don't consider that Central Trust's treatment of Mr and Mrs J caused lasting unfairness. I do think Central Trust could reasonably have looked more closely at what more it could do to support Mr and Mrs J by December 2022, when its records show that Mr J told it he had yet to start the new job he had been waiting for since September and had no start date, he was having to borrow money from family members, and no payment arrangement for the loans could be agreed. I also have in mind however that Mr and Mrs J continued to make payments after December 2022, as well as that Central Trust had stopped applying interest to Loan 2 when the term ended in 2015 and later also stopped applying arrears charges.

Against this background, and while I realise this isn't the outcome Mr and Mrs J were hoping for, I think that Central Trust has made a fair and reasonable offer of compensation. I don't therefore require it to do or pay any more.

My final decision

My final decision is that Central Trust Limited has made a fair offer of compensation. If it hasn't done so already, it should pay Mr and Mrs J £936.98 in settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J and Mrs J to accept or reject my decision before 27 August 2025.

Janet Millington
Ombudsman