

The complaint

Mr and Mrs J complain that Elderbridge Limited did not tell them about the full balance they owed on a second charge loan.

What happened

In 2003, Mr and Mrs J took out a second charge loan with Firstplus. The total borrowing was £39,836.80 over a term of 20 years. The loan was later transferred to Elderbridge.

In 2006, Mr and Mrs J fell into arrears on the loan. In August 2007, interest was suspended on the loan. Interest was still applied, but it accrued in a separate account. That meant any payments that Mr and Mrs J made to the loan were used to reduce the principal balance.

In February 2025, the principal balance of the loan was repaid. Elderbridge therefore looked for the suspended interest balance of just under £38,000 to be repaid.

Mr and Mrs J complain that in 2024 they were led to believe they'd repaid the loan but later found out they still owed £38,000 made up of suspended interest. They said Elderbridge did not tell them that there was an additional balance they would have to repay.

The investigator said we could look at events from August 2007. She thought the complaint should be upheld. She said that Elderbridge did not do enough over the term of the loan to tell Mr and Mrs J about the suspended interest. The investigator recommended that Elderbridge should pay Mr and Mrs J £500 for any distress and inconvenience that caused them.

Mr and Mrs J accepted what the investigator said. Elderbridge did not. It responded to make a number of points, including:

- On 24 January 2022 it attempted to contact Mr and Mrs J by phone and wrote to them about the suspended interest. The letter said that that interest was still being charged but was accrued separately to the main loan balance. The letter clearly states this has not been added to the balance until the outstanding balance had been paid in full – and it sets out the balance of the loan and the suspended interest.
- The letter was correctly addressed. Mr and Mrs J have received other correspondence from it without any issue and they have not made it aware of any issues with their postal service. On balance it is more likely than not the letter reached them.
- On 14 October 2023, it sent a statement which included information regarding the suspended interest and it had not yet been added to the principal balance.
- Elderbridge was satisfied that in 2022 Mr and Mrs J were made aware of the suspended interest and that it did not form part of the principal balance. They knew the arrears were increasing, interest was charged on the arrears and they were told about the balances. Therefore Elderbridge did not agree that there had been any loss of expectation to Mr and Mrs J. They ought to have been aware that by paying less than the monthly

instalment and interest being applied the loan would not be repaid in full at the end of the agreed term.

- Mr and Mrs J have gained by the interest being suspended in this way – the balance would be over £120,000 higher had the interest not been suspended.
- Elderbridge had worked with Mr and Mrs J by offering a field agent visit, agreeing payment arrangements and not applying any interest since April 2020.

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.

Jurisdiction

Both sides have accepted the investigator's findings on jurisdiction. For the avoidance of any doubt I agree with the conclusions reached by the investigator. The interest was suspended more than six years ago. But the evidence we have does not support that Mr and Mrs J were aware (or ought reasonably to have become aware) that they had cause for complaint about the suspended interest until the letter from Elderbridge dated 24 January 2022.

Mr and Mrs J made their complaint to Elderbridge on 28 June 2024. That is within three years of the date they ought reasonably to have been aware they had cause for complaint. Therefore we can consider events from the date interest was suspended in August 2007.

Suspended interest

I accept that suspending the interest was a positive step for Mr and Mrs J. It meant they paid less than they would have had the loan operated as initially agreed. So I don't consider they've been treated unfairly because of that. And Elderbridge also did not apply any interest from April 2020. That was a reasonable concession in the circumstances.

Nevertheless, while there might not have been any strict regulatory requirement to provide statements or tell Mr and Mrs J the interest had been suspended, there was an ongoing duty to give them clear, fair and not misleading information about how the loan was operating. I must take that into account in determining what I consider to be fair and reasonable in the individual circumstances of this complaint.

I accept that it is more likely than not that Elderbridge sent the 2022 letter and the 2023 statement to Mr and Mrs J – and it seems more likely than not they would have received those documents. They are correctly addressed and most post reaches its intended destination.

I also accept that the letter and statement gave Mr and Mrs J information about the suspended interest and how it would affect them. But there is no evidence that they were given sufficient information about the suspended interest at an earlier point. I consider that acting fairly and reasonably and bearing in mind the requirement to give Mr and Mrs J clear, fair and not misleading information they ought to have been given that information when the interest was suspended and at regular points throughout the life of the loan so they could understand how it impacted them. While Mr and Mrs J might have known they had fallen behind with the loan, they could not see there was a suspended interest balance or how much it was.

Therefore, I do not consider that Mr and Mrs J have been treated fairly or reasonably. They

were not given sufficient information about how the suspended interest operated throughout the full life of the loan.

In the circumstances, it seems unlikely Mr and Mrs J could have done anything else had they been made aware of the suspended interest at an earlier point. It seems they always paid as much as they could towards the loan balance. So I do not consider there is any financial loss resulting from the lack of communication.

I accept that Mr and Mrs J would have received a significant shock and upset when they discovered that the loan they believed they had been reducing and were on track to pay off had a significant balance that would likely take them many further years to repay – whether that was in 2022 or 2024. I accept they found that very upsetting. And they have been deprived of the opportunity to make properly informed choices about what to do and how to arrange their finances. Mr J has also told us that this matter has affected his health.

In all of the circumstances, taking into account our guidelines, I consider £500 is a fair amount to reflect the distress and inconvenience caused to Mr and Mrs J because they were not treated fairly

My final decision

My final decision is that Elderbridge Limited should pay Mr and Mrs J £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J and Mr J to accept or reject my decision before 7 October 2025.

Ken Rose
Ombudsman