

## **The complaint**

Mr and Mrs M complain that their loan was mis-sold by Elderbridge Limited (Elderbridge) due to being sold alongside a PPI policy which was also added to the balance. They made a separate complaint about the PPI policy and they dispute whether the policy premium was correctly removed from the loan balance. Mr and Mrs M are also unhappy that the interest on the loan had been suspended and was accruing as a separate outstanding balance.

Although the loan was initially taken out with a different lender, Elderbridge has accepted responsibility for the part of the complaint I am dealing with in this decision, and I have therefore referred to Elderbridge throughout for ease.

Mr and Mrs M have also complained about the interest rate applied to the loan and this is being considered separately against the previous lender, so I will not address that any further in this decision.

## **What happened**

Mr and Mrs M took out a second charge loan for £35,000 in May 2005. They say that the loan was mis-sold as it was sold alongside a PPI policy, which cost £8,571.50. Although they made a complaint and got some money back in respect of the PPI policy, they say that no new loan agreement was issued and that a recent statement still shows the total amount borrowed as being £43,571.50, which includes the amount that they paid for the PPI. Therefore, they say that they are still paying interest on the full amount including the PPI, rather than just the £35,000 loan.

Mr and Mrs M also say that Elderbridge has suspended the interest on the loan for ten years and held this in a separate account. They only have a small amount left to pay but have recently been informed that they owe almost £10,000 in respect of the suspended interest. They say that they have never received any paperwork to sign regarding the interest being suspended. They are unhappy that they have already paid £110,000 back and therefore dispute the outstanding balance. Mr and Mrs M say that this has put them in financial hardship and affected their health.

Elderbridge says that the loan agreement set out the key information and made Mr and Mrs M aware of their responsibilities. In respect of the suspended interest, Elderbridge says that this action had a positive impact for Mr and Mrs M, saving them over £4,800 of interest. Although there is a suspended and accrued balance of almost £10,000, as soon as the principal balance is cleared, this will be applied to the account and no further interest will be charged from that point.

Our Investigator looked into Mr and Mrs M's complaint. In respect of the PPI policy being added to the loan balance, he found that even if this had created an unfair relationship, this was put right when the amount lent to cover the PPI (along with the associated interest) was removed from the loan balance and Mr and Mrs M's overpayments were refunded. The Investigator was satisfied that the balance was correctly adjusted in January 2010 and that interest has been calculated correctly.

In respect of the interest on the loan being suspended in 2015 without Mr and Mrs M's knowledge, the Investigator considered that although Mr and Mrs M may have initially been unaware of the interest balance building up in the background, they were made aware of this

in 2021. He was also satisfied that Elderbridge hadn't acted unfairly in continuing to suppress the interest.

Overall, the Investigator found that Elderbridge hadn't acted unfairly towards Mr and Mrs M.

Mr and Mrs M disagree with this, so the case has come to me to make a decision. They say that the sale of the loan with bundled PPI created an unfair relationship, and Elderbridge's failure to issue updated loan documents after the PPI was refunded and lack of transparency about how balances were calculated contributed to further uncertainty. Mr and Mrs M say that the decision to suspend the interest without notifying them denied them the opportunity to make informed financial decisions.

### **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.

Having looked at the evidence, I agree with the Investigator's view for broadly the same reasons and I've explained my reasons further below.

In respect of the PPI policy being added to the loan balance, I am aware that Mr and Mrs M made a successful complaint about this in 2009. As a result, the amount which had been added to the loan in respect of the PPI policy was removed from the loan balance, and the amount Mr and Mrs M had overpaid in respect of the associated interest was refunded. I am therefore satisfied that, even if the addition of the PPI had created an unfair relationship, this has already been put right by Elderbridge.

Mr and Mrs M have questioned whether their loan balance is correct and whether they are still paying interest in respect of the amount they borrowed for the PPI. I have looked at the transactions on the account and can see that in January 2010 the amount which had been added for the PPI policy was removed from the balance and a refund was given in respect of the associated interest which had been overpaid. This had the effect of reducing the loan balance from around £40,800 to around £32,700. Following this, the monthly interest added to the loan reduced from around £310 to around £260. I am therefore satisfied that Mr and Mrs M were only charged interest on the actual balance remaining and not on the amount which had been lent at the outset.

I can see that subsequent statements referred to the total amount of credit as being £43,571.50. The fact that the amount lent in respect of the PPI was refunded does not change the original amount borrowed, so I do not think that the statement is inaccurate in setting out the total amount of credit borrowed at the outset. Likewise, I would not expect Elderbridge (or the previous lender) to have issued a new loan agreement after the PPI was refunded. For the reasons set out above, I am satisfied that the balance and interest were calculated correctly after the PPI was removed and that Elderbridge has not acted unfairly in this respect.

In respect of the suspended interest, as this was an unregulated loan, there was no obligation for the lender to notify Mr and Mrs M when interest was suspended on the loan account. Having said this, I would still expect a lender to do this as it is good industry practice and would have changed the way in which Mr and Mrs M's payments would be allocated. However, for the reasons set out below, I don't think Mr and Mrs M have been caused any detriment by this.

I note that Mr and Mrs M became aware in 2021 that the interest had been suspended and was accruing in a separate account and they made a complaint to Elderbridge in respect of this at that time. I also note that information regarding the suspended interest is included on the more recent statements I have seen. For example, the statement sent to Mr and Mrs M in February 2024 shows the account balance as being £582.36. The statement also sets out that there is accrued interest of £9,899.91 payable which has not yet been added to the loan

balance. The statement states *“While your account is in a default status, we do not add interest to your account balance until the balance of your loan is paid in full. This is to prevent additional interest being charged on this interest figure”*.

I have gone on to consider whether it was fair and reasonable for the interest on Mr and Mrs M's loan to be suspended.

As Mr and Mrs M had fallen into arrears on their loan, the original lender stopped adding interest onto the loan account in order to avoid them paying interest on interest (compound interest) if the payments weren't maintained. Instead, the lender carried on calculating the interest in the background, as it was still due, but as it wasn't applied to the account it didn't attract interest itself. This is known as simple interest.

I've looked at the transactions on the account and I can see that no monthly interest has been charged on the loan account after November 2015. In effect, in order to prevent interest accruing on unpaid interest, the original lender 'ring-fenced' the interest in a separate account at this point, so that it didn't attract further compound interest. This also meant that any payments Mr and Mrs M made after that point went towards reducing their arrears and repaying the capital. Ultimately, it means that Mr and Mrs M have been charged less interest than they would have been otherwise.

The fact that the interest has been suspended and put into a different account means that Mr and Mrs M have benefitted and paid less overall than they would have done if they had made all payments on time under the terms of the original loan agreement. Elderbridge has calculated that this has saved Mr and Mrs M over £4,800. It may also mean that the loan will be paid off earlier than it should have been under the original terms, despite the fact that Mr and Mrs M went through periods when they were unable to make the full monthly repayments.

Overall, while I think it would have been helpful for the original lender to have told Mr and Mrs M that it had suspended the interest, I don't consider its actions have caused them a loss. In fact, I'm persuaded it has led to them being charged less interest and repaying their loan more quickly than they otherwise would have done, had the interest not been suspended. Therefore, I am satisfied that Elderbridge's decision to continue suppressing interest was fair and reasonable.

Overall, I do not consider that Elderbridge has acted unfairly towards Mr and Mrs M, and I am satisfied that there is no ongoing unfair relationship. I know my decision will come as a disappointment to Mr and Mrs M, but I can't say that Elderbridge has acted unreasonably in the circumstances of this case and I don't uphold this complaint.

### **My final decision**

For the reasons I've explained above, I don't uphold this complaint and don't require Elderbridge Limited to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 24 February 2026.

Rachel Ellis  
**Ombudsman**