

complaint

Miss D complains that Barclays Bank PLC refinanced her loan in 2009. Miss D is represented by Mr E.

background

Miss D took out a loan for around £2,000 in 2006, payable over 60 months at approximately £50 per month. In the year before her loan was refinanced she was unable to meet her loan repayments on four occasions, leading to charges for returned direct debits.

In 2009 Miss D approached Barclays asking to extend her loan because she could not afford the repayments. Initially her application was declined, but Barclays' consumer lending team overrode this decision and agreed to extend Miss D's loan. Her loan was refinanced for a further five years at the same interest rate. There was no additional borrowing. Her repayments decreased to around £30 per month, but over the term of the new loan she was required to pay approximately £700 more interest.

In the first year after the loan was refinanced Miss D was unable to pay six of the twelve monthly repayments. She incurred charges for direct debits being returned.

The adjudicator recommended that the complaint should be upheld. She concluded that Barclays should not have given Miss D another loan, but instead arranged a repayment plan. She concluded that Barclays should refund the interest charged on the 2009 loan.

Barclays disagreed and asked for the case to be referred to an ombudsman. It said, in summary, that it did not make any error when providing Miss D with the new loan. Miss D asked it to extend the term of her loan to make her repayments more affordable, and it considered her application based on the information she provided at the time.

Mr E said, on behalf of Miss D, that she should receive some compensation for Barclays' actions.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, on what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Miss D was clearly suffering financial difficulties when she approached Barclays. Barclays said that she told it she was trimming her outgoings and no longer had to pay rent. But Miss D's statements showed that she was unable to meet her rent payments, even though she was receiving housing benefit. She was regularly incurring charges through direct debits being returned unpaid and incurring fees for using her Personal Reserve.

Barclays has not provided any evidence to show that it carried out an assessment of Miss D's income and outgoings, to show that the 2009 loan was affordable.

In the absence of that and looking at the wider circumstances, I agree with the adjudicator, I consider that, more likely than not, the 2009 loan was unaffordable from the outset. Within three months Miss D was unable to meet the lower loan repayment, and in the year that followed, she was only able to pay six out of twelve loan repayments. Her direct debits were returned unpaid for the others.

In the circumstances I consider that Barclays should refund the interest charged on the 2009 loan. I agree with the adjudicator that, had Barclays responded positively and sympathetically to Miss D's financial difficulties in 2009, a repayment plan would likely have followed. If it had, I consider it more likely than not, having looked at Miss D's financial position, it would have suspended interest on the 2006 loan. As Miss D's financial difficulties were not temporary in nature, more likely than not the loan would then have been defaulted. This would have resulted in no further interest and charges being levied. So I do not consider that it would be fair or reasonable for Barclays to charge Miss D interest from June 2009.

I am sorry to disappoint Miss D but I am satisfied that this adequately compensates her for Barclays' actions and do not make any further award.

my final decision

My decision is that I uphold Miss D's complaint. In full and final settlement of it, I order Barclays Bank PLC to;

- refund any interest charged on the 2009 loan; and
- treat the 2006 loan as if interest was suspended from June 2009 and only the remaining capital amount was repayable.

Kim Parsons
ombudsman