

## **complaint**

Mr and Mrs J complain that Link Financial Outsourcing Limited has treated them unfairly since it took over their debt from another company when they found themselves in financial difficulties. In particular they complain because it's increased the debt significantly and hasn't communicated with them properly.

## **background**

Mr and Mrs J took out an unsecured loan of just over £8,000 including more than £900 premium for payment protection insurance in 1997 over a ten year term. Shortly afterwards, they found themselves in financial difficulties initially due to redundancy, so they struggled to make their payments. At some point before Link took over the debt, the loan was defaulted and Mr and Mrs J entered into a repayment plan with the lender. In 2004, the debt was sold to Link with an outstanding balance of £9,775.41 after the original lender added over £4,000 in interest in a lump sum to the loan before selling it on.

When it took over the debt Link immediately applied a further lump sum of £5,159.82 in interest and, since then, it's applied £3,713.74 more in interest to the account. Because of their financial difficulties which have lasted since Mr J became redundant very soon after the loan was taken out, Mr and Mrs J have only been paying £10 a month off their debt since 2004. They said they didn't get any statements from Link about their loan so they didn't know what their outstanding balance was and weren't aware of the added interest. In 2017, Link contacted them about missed payments. When they looked into it, they could show the payments had been made, but when they found out their balance was over £16,500, Mr and Mrs J complained to Link about the increase in their debt and the lack of communication.

Link rejected their complaint. So they came to this service. Our adjudicator thought the complaint should be upheld because she didn't think Link had treated Mr and Mrs J positively and sympathetically. But Link argued it was entitled to add interest to the loan in the way it had done so it asked for review by an ombudsman. I thought the complaint should be upheld but felt the redress needed to be changed so I issued a provisional decision explaining my reasoning.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Mr and Mrs J accepted my provisional decision and Link didn't respond so the reasoning set out in my provisional decision remains largely unchanged.

Link took over Mr and Mrs J's debt in 2004 when they were already struggling to keep up the payments on their original loan and were in a repayment plan. Businesses are obliged to treat people positively and sympathetically when they find themselves in financial difficulties regardless of the terms of their loan. But Link added interest to the loan up-front without finding out about Mr and Mrs J's financial situation which meant the amount owed increased immediately making it much harder for Mr and Mrs J to manage. It doesn't appear that Link told Mr and Mrs J it had done this and I can't see any evidence it checked at all with Mr and Mrs J since 2004 to find out about their financial situation to see if the repayment plan was still appropriate. With their monthly payments at £10 since late 2004, the debt couldn't be paid off within their lifetimes. A review of their account from December 2018 indicates that the last payment due to pay off the debt would be in 2155 – that is 158 years after they took

out the loan that was meant to be paid off over ten years. I understand they've recently managed to increase the monthly payments slightly but there is still no prospect of the loan being paid off in their lifetimes and their financial situation remains uncertain for the foreseeable future.

Mr and Mrs J only found out about the increased interest on their balance almost 14 years after the debt was transferred. This was because of an administrative error on Link's part when it thought they hadn't made the monthly payments. It seems that, as long as they were making the monthly payments, Link didn't try to engage with Mr and Mrs J to help them address their financial problems. A repayment plan should aim to help people over a short period of financial difficulty. But in this case the arrangement appears to have been open ended. There were no apparent review dates and no mechanism for providing Mr and Mrs J with updates or checking on their financial situation. Given Mr and Mrs J's circumstances having suffered for many years from health problems which they tell us restricted their ability to work and considering their age, there's no realistic chance the debt will ever be paid off.

In the particularly difficult circumstances of this case, I don't find this is fair and reasonable for the reasons outlined above. Link hasn't treated Mr and Mrs J positively and sympathetically or tried to support them to find a way to deal with their debt in their financial difficulties. Therefore I think the complaint should be upheld. This complaint is against Link therefore I haven't considered the way Mr and Mrs J were treated by the original provider.

Mr and Mrs J have been making payments towards their debt for over 20 years now including 15 years of payments to Link, yet the balance is now double the original loan. There's no realistic prospect of the debt being paid off due to the front-loading of the interest and the limited payments they tell us they are able to make towards it. In the circumstances, it's very difficult to unravel the loan to get a picture of what would've happened if Link had treated them fairly, therefore I find that Link should write off the outstanding balance to put things right as far as possible.

### **my final decision**

For the reasons given above, it's my final decision that this complaint is upheld. To put things right, Link Financial Outsourcing Limited should write off the outstanding balance on Mr and Mrs J's loan. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs J to accept or reject my decision before 8 May 2019.

Susie Alegre  
**ombudsman**