

complaint

Mr C complains that Firstplus Financial Group Plc mis-sold his loan and mismanaged his account. His complaint is brought by his representative on his behalf.

background

In January 2006 Mr C and his then partner, Ms B, (who were married in June 2006) took out a secured loan from Firstplus. The loan was for £41,704 (including PPI of £8,204) and had an interest rate of 8.19%. It was secured as a second charge. He had a first charge with another lender for £93,000. The total loan-to-value (LTV) was 73.91%. By consolidating his unsecured debts with the new loan, he reduced his monthly outgoings from £801 to £357. He had bought his property in July 2003 (or 2001) for £87,000. He accepted an offer to buy the property for £146,000 in April 2015. Completion of the sale took place in July 2015.

Mr C has since made a successful complaint about the mis-sale of the PPI.

Soon after the loan started, Mr C fell into arrears due to missed or late direct debits, which led to arrears charges. In April 2010 Firstplus arranged for Credit Solutions Limited (CS) to administer the loan. Firstplus/CS suspended interest on the loan from February 2007 because of Mr C's financial difficulties, and placed the interest in a separate account – but Mr C did not know this.

In January 2015 CS wrongly told Mr C that the loan had been paid in full. He asked CS and then Firstplus to remove the legal charge on his property, so he could sell the property. Firstplus then told him that there were still outstanding interest charges on his loan totalling £14,970. It offered £100 for trouble and upset in misinforming Mr C that his loan had been repaid in full and for failing to send him the loan statements he had asked for. It was not obliged to send those statements unless Mr C had asked for them.

The adjudicator thought the offer should be increased by a further £150 – and Firstplus agreed.

The adjudicator did not think that there was any evidence of irresponsible lending. Mr C met the underwriting requirements which applied in 2006. Mr C did not agree and in particular relied on the excessive valuation of the property at £185,000 in 2006. It was said to be valued at about £100,000 – though since then the property has sold for £146,000.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint, including the further comments from both parties on my two provisional decisions.

In my first provisional decision of 17 September 2015 I considered all the available evidence and arguments to decide what was fair and reasonable in the circumstances of this complaint. I took careful note of the further comments made on behalf of Mr C since the adjudicator's letter. I invited both parties to let me know if there were any errors in my setting out of the background above.

I had considerable sympathy with Mr C over his financial difficulties and ill health. However, I agreed with the adjudicator that the combined offer of £250 for trouble and upset fairly

reflected the administrative failings of Firstplus over its misinformation about the redemption of the loan and the loan statements.

In respect of the sale of the loan in 2006, I asked for further information from Firstplus and/or Mr C as to the following matters. Their replies are now set out in *italics* below.

- (1) How the valuation of £185,000 was (or if no records are still available, would have been) obtained in 2006. In its final response letter of 21 May 2015 Firstplus describes its 'valuation procedures' as giving the valuation of £185,000.

Firstplus now says it does not know how the valuation in 2006 was obtained, because it had a number of different methods.

- (2) What the realistic valuation for the property was in 2006 and the evidence for it.

Firstplus has now provided a Zoopla valuation for £147,000. Mr C suggests the correct valuation was in the region of £140,000 (based on Rightmove or the land registry).

- (3) If the valuation was only £100,000, why did Mr C seek a loan for £33,500 (and PPI of £8,204) from Firstplus when he already had an existing mortgage of £93,000 (which may have later increased to £103,000) on his property ?

Mr C says that the further loan of £33,500 (excluding the PPI premium) was taken out in January 2006 to meet their wedding expenses which was to take place in June 2006.

- (4) Is the outstanding still in both Mr C and his former spouse's name ? If not, when was Ms B's name removed from the loan and on what terms ?

The loan is still in Mr C and Ms B's names. They entered into a separation agreement in October 2014 under which Mr C would pay the mortgage payments and other bills.

Please let me know if Mr C is the only party responsible for the outstanding loan – so that I may consider whether Ms B should join in the complaint. This may be clear from the separation agreement, unless it was superseded by a later agreement in any divorce proceedings.

- (5) Has the property now been sold, and if so, at what price ?

The property was sold in July 2015 for £146,000.

Taking into account the further information received since my first provisional decision, I had concerns about the valuation which Firstplus used in 2006. On the balance of probabilities the true valuation was about £140,000 – £147,000 and not the £185,000 which it used when underwriting the loan application. If the true value had been applied, Firstplus would have granted a smaller loan or even declined the application because of the LTV.

In all the circumstances, in my second provisional decision of 15 October 2015 I thought it would be fair for Firstplus to write off £7,500, which was about half the outstanding loan interest. This figure reflected the fact that Mr C (and Ms B) has had the use of the funds they raised. Firstplus should also arrange (whether by CS or itself) to stop its threatening letters to Mr C pending the outcome of this complaint. CS/Firstplus has sent demand letters to Mr C in September 2015 – seeking the repayment of £14,953.59 and £838.35 respectively.

Subject to any further comments from both parties (including whether Firstplus should write off the *whole* outstanding loan of £15,000), my second provisional decision was to uphold in part the complaint as to mis-sale, because there were doubts as to whether Mr C met the underwriting criteria in 2006 – as Firstplus used an exaggerated valuation for the property.

I agreed that £250 was a fair and reasonable award for the administrative failings of Firstplus.

I have now received further comments from both parties in response to my second provisional decision. Firstplus is prepared to write off £7,500 as a gesture of goodwill. It feels it is being penalised for a retrospective valuation of the property. It does not keep records going back nine years. It was not responsible for causing Mr C's financial difficulties.

Mr C challenges the claim that his overall outgoings were reduced as a result of the Firstplus mortgage. He refers to the lending code of the Financial and Leasing Association (FLA) and thinks that Firstplus did not comply with FLA's commitments and principles. It was agreed that Mr C would meet the outgoings after his separation and he would apportion any net proceeds of sale with his ex-wife. The loan has been repaid, but there is an outstanding sum of about £15,000 in respect of interest. Mr C has recently had further communications with Firstplus on his complaint.

Taking all these factors into account, I think that Firstplus should write off £7,500 of the outstanding loan interest because it has been unable to justify its 2006 inflated valuation of the property. While Mr C's ex-wife has not signed the complaint form, I assume that Mr C will meet the outstanding balance with the proceeds of sale, giving credit to his ex-wife according to any agreement he reached with her. Firstplus should also ensure that it does not add any charges (or further interest) to the figures set out in its/CS's letters of September 2015.

my final decision

My final decision is that Firstplus Financial Group Plc should:

1. Pay £250 for trouble and upset (unless already paid).
2. Write off £7,500 from the outstanding loan interest.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 29 December 2015.

Charles Sweet
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