

complaint

Mr R, acting with power of attorney for Mr D, complains that TSB Bank plc was irresponsible in granting Mr D a loan.

background

Mr D took out a loan of £11,500 with TSB in February 2014. This was to consolidate a loan he already had, and to repay debts Mr D had incurred through payments he'd been persuaded to make to others.

But the following year he began to fall behind with his repayments for the loan. The loan account was closed in September 2015 and was passed on to debt collection agencies. No interest has been charged on the balance from that time and the debt is now back with TSB's recovery department as no repayment arrangement was made with Mr D.

Mr R complained and questioned how low loan had been agreed. He felt it wasn't right for Mr D and was unaffordable as he had a low level of income. Mr D is a vulnerable person who had been the victim of financial scams and financial abuse.

Our adjudicator didn't think TSB acted wrongly by providing Mr D with this loan. He said it didn't appear to be unaffordable and the repayments weren't significantly more than he was already paying. The adjudicator thought Mr D could've repaid some of the loan with credits he received, such as the refund after the investigation of the fraudulent withdrawals.

The adjudicator thought TSB had considered how it could help Mr D at the time he took out the loan. It was aware that he'd disclosed his banking details to other people but the adjudicator couldn't see that TSB was told about any vulnerability affecting Mr D's ability to appreciate he was taking out a loan.

On Mr D's behalf, Mr R said that Mr D had been granted this loan despite struggling to keep a positive bank balance and maintain the repayments. He said TSB hadn't acted in a fiduciary way in lending this money to Mr D. Mr R disagreed with what the adjudicator had said. He said TSB had known of Mr D's vulnerability to fraud and should've taken more care when granting the loan to him

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I can fully appreciate Mr R's concerns about Mr D and have taken into account all of the details he's given about the background circumstances of Mr D's situation. I can see that it will have taken time and effort to pull together all of this information as it is complex and involves factors affecting Mr D over a number of years during his banking relationship with TSB.

My decision here relates to the consolidation loan TSB gave Mr D in 2014. The background of this is relevant in that this was a means of paying off an existing loan and other debts that came about because of payments Mr D had been persuaded to make. I know that Mr R has concerns about the loans Mr D took out before this one. However, TSB doesn't now have

the responsibility of looking into complaints about the loans Mr D took before TSB separated from its merger.

how the loan came about

I've looked over TSB's records from 2014. At that time, Mr D had been persuaded to give his account security details to another person, and this had left him with an overdraft balance on his current account, and a credit card bill. Initially TSB said it couldn't refund the money spent as Mr D had authorised the transactions. It suggested a way forward was for him to take out a consolidation loan which would refinance his existing loan and pay off the other debts.

TSB placed a flag on Mr D's account to try and prevent any further fraudulent withdrawals, and helped him to change his security details.

But Mr D was again the victim of this scam and disclosed his security information. His account cards were blocked and new ones were ordered. This caused TSB to review its decision about the fraudulent withdrawals and it refunded £3,640.40 to Mr D's account in May 2014.

was the lending unaffordable or irresponsible?

The loan consolidated the different unsecured lending Mr D had and increased his monthly loan repayments by around £40. I've looked through all the information about his income and financial commitments at the time, both through his bank statements and Mr R's calculations. I've also taken into account Mr R's breakdown of the outgoings and how these impacted on Mr D's account balance each month.

But I don't think these would've indicated the repayments for it were unaffordable. Mr D maintained the payments for a year after it started. Also, the loan repaid the credit card and overdraft balances, which were likely to have incurred interest and charges otherwise.

Some of the overall loan amount was to pay off the debts caused by the fraudulent withdrawals however the refunded amount wasn't used towards repaying it. This would've represented about a third of the loan amount. I appreciate Mr D experienced further problems after the loan started and then found it difficult to repay, but I don't think TSB could reasonably have known that at the time it was offered to him.

TSB's actions

After taking everything into account, I don't think TSB was irresponsible in granting Mr D this loan. It could only base its decision on the information it had at that time, and it looked to help Mr D overcome the difficult situation he'd been put in through how he was taken advantage of. I do appreciate Mr D's particular circumstances now and his state of health. I'm sorry for all that he's experienced. But I don't think it would be fair to require TSB to write-off the outstanding balance of the debt he owes.

my final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R, with power of attorney for Mr D, to accept or reject my decision before 18 August 2017.

Cathy Bovan
ombudsman