

complaint

Mr R complains about the level of service he has received from Bank of Scotland Plc (trading as Lloyds Bank Plc). He says that Lloyds mis-sold him a loan to consolidate his credit card debts. He is now in financial difficulties and he says that the bank has provided poor service in assisting him. He seeks compensation for the mis-selling and harm to his credit rating.

background

Mr R accepted Lloyds' offer of a personal loan in order to consolidate his credit card debts. The loan was designed to repay the capital he owed, rather than just the interest on the card accounts, over six years. There is no dispute that the bank pressed Mr R often to discuss refinancing his debts. There is also no dispute that the loan was sold with an offer to review the interest rate charged after 12 months. When Mr R contacted the bank to review the loan, his circumstances had changed. The bank declined to change the loan as Mr R could not now afford the repayments. Mr R sought help from a debt management organisation and a payment plan was agreed. This ended when Mr R accidentally made one late repayment.

The adjudicators who have investigated Mr R's concerns do not recommend that the complaint be upheld. Their view is that the loan was not mis-sold as it suited Mr R's circumstances at that time. The bank could not reasonably have foreseen that Mr R's circumstances would change. The bank could not change Mr R's loan as any new loan would have been unaffordable. The adjudicators found that Lloyds was sympathetic and positive when Mr R told it he was in financial difficulties. The bank co-operated with the debt management organisation to agree a reduced payment plan while Mr R took stock. The adjudicators recommended that Mr R and the bank discuss defaulting on the loan and agreeing an "age out" plan. The bank would then freeze his interest, agree a repayment plan for the capital and place a default marker on his credit file for six years.

Mr R was unhappy that he only learned of this option from this service, not the bank. He is also unhappy that, having agreed it, his interest has been frozen for 12 months only.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I agree with the adjudicators that the loan was not mis-sold. I am satisfied that the bank correctly assessed Mr R's circumstances and judged that the loan was suitable and affordable at that time. Mr R agreed this when he signed the loan agreement checklist. It helped Mr R to repay the debts he owed rather than just the interest. As far as I can ascertain, Mr R did not discuss with Lloyds any possible changes in his employment that would affect his ability to repay. The bank offered a 12 month review but this was not a guarantee that the interest rate would be reduced. Unfortunately, by then Mr R's circumstances had changed and the bank could not offer him a new loan.

I am satisfied that the bank responded positively and sympathetically to Mr R when he told it of his difficulties. Lloyds agreed interim measures until Mr R's prospects improved. It did not advise that he default as it could not foresee that Mr R's circumstances would not improve. It paid him £75 compensation for delays in responding to his letters. This was fair and reasonable. The bank has now agreed to transfer Mr R's debt to recoveries and freeze his

interest. Mr R has been told that this is only for 12 months. I agree with Mr R that as his circumstances are unlikely to improve, this is not enough. Mr R is unhappy that a default marker will be placed on his credit file for six years. This is unfortunate, but as it is accurate I cannot order the bank to remove it.

my final decision

My decision is that I uphold this complaint in part. I order Bank of Scotland Plc (trading as Lloyds Bank Plc) to agree an “age out” plan as it has offered to do. It should freeze interest on the loan and agree with Mr R an affordable repayment plan for the debt.

Phillip Berechree
ombudsman