

complaint

Miss R complains that she was mis-sold a loan by The Royal Bank of Scotland Plc. She felt pressured by RBS staff to take the loan to consolidate and refinance her debts and so reduce her monthly outgoings. But, she says that the loan was unaffordable and she is now in arrears. To make things right, Miss R would like the remaining loan balance written off and her credit file corrected. She would also like a refund of all repayments she has made to compensate her for distress and inconvenience.

background

Miss R says that when she took out the loan she was in vulnerable personal and employment circumstances due to maternity leave and changes in her finances. She felt pressured to take the loan to refinance her debts and her overdraft. She says that the calculations of her income and expenditure were not correct and were done on her behalf by RBS staff. She managed the loan repayments for ten months but has now fallen into arrears, incurred charges and the bank has recorded a default on her credit file. She told RBS of her difficulties and has agreed a repayment plan for her overdraft but not her loan. The bank has now frozen the amount owing on her loan and has asked Miss R for her income and expenditure details to work out a repayment plan.

The adjudicator did not recommend that the complaint be upheld. She could not find evidence that Miss R had been pressured into taking the loan or that it had been mis-sold.

She found that Miss R did benefit from the loan as it reduced her monthly outgoings for repaying debts. She thought that the loan must have been affordable as Miss R managed her repayments for ten months until her personal circumstances further changed.

Miss R responded that she managed the repayments because they were set up as a direct debit on her pay day and were made at the expense of other bills. She says that she explained her personal circumstances when she took out the loan and trusted the advisors' expertise and goodwill. In retrospect, she feels that she should have been directed to a debt advice agency rather than offered a loan. She restates that the lending was irresponsible.

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 basis of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Miss R maintains that the loan was unaffordable when it was offered. The RBS advisors would have known of the effects on her finances of her maternity leave, and that her current account was overdrawn and she had exceeded the limit incurring charges. They would have also known of the negative effect on Miss R's employment if her financial difficulties were not managed. Miss R did benefit from the loans to repay her debts and the lower monthly payments. She managed her repayments until her circumstances further changed. So I am not persuaded the loan was unaffordable, or the bank's assessment of her income and expenditure was wrong.

I conclude that at the time Miss R probably agreed the loan as it resolved her immediate concerns. The alternative would have been to default on her other debts which would have affected her employment. She would also have known that the loan would last a year longer than her previous debts. The bank cannot be held responsible for the later changes in Miss R's circumstances which led her into further financial difficulties.

I encourage Miss R to submit details of her income and expenditure in order to arrange a repayment plan for the outstanding amount with RBS. I remind the bank of its ongoing responsibility to respond sympathetically and positively to a consumer in financial difficulty.

my final decision

My decision is that I do not uphold the complaint.

Phillip Berechree
ombudsman