

complaint

Mr C complains that Bank of Scotland plc, trading as Halifax won't restructure his loan. He's found his finances have been stretched too far since he took out the loan, and wants to reduce his monthly payments.

background

Last year, Mr C took out a Halifax loan. He later reviewed his finances and thought he'd overstretched himself in trying to repay the loan within the agreed term. He found that he and his partner were regularly using their overdrafts. Mr C now thinks the loan repayments are too high for him to maintain.

More recently, Mr C was made redundant, though it seems he's since found another job. He and his partner used the redundancy pay to clear the overdrafts they'd built up. After reviewing his finances further, Mr C asked Halifax about changing the loan term to reduce his payments. But Halifax was unwilling to change the loan terms, and declined Mr C's applications for a new loan. It's said Mr C doesn't now meet its lending criteria.

Our adjudicator thought that was a matter for Halifax to decide for itself. But Mr C feels Halifax isn't being fair. He says he's not asking to borrow any more money – just to repay it on a different basis from the original agreement.

my findings

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

As the adjudicator said, it's for Halifax to decide if it wants to renegotiate its agreement with Mr C. While I can see how that might help Mr C, it's not really for me to order the bank to do so. When Halifax and Mr C entered into the loan, it was on the basis that he'd repay the bank over a set period, with agreed monthly payments. Mr C's free to approach Halifax to see if it's prepared to make a different arrangement. But that doesn't mean Halifax is obliged to agree, or that it was wrong to lend to him in the first place.

There's a number of reasons why Halifax might decline Mr C's request. It seems he's recently changed jobs. And the bank's notes indicate he's gone over his overdraft limit and had payments returned. These things affect a lender's decision to agree new loan terms. It's not just a matter of whether the loan is more affordable.

That said, there are times when a lender should look at whether other arrangements are appropriate. Where a borrower's experiencing financial hardship, I'd expect a lender to do what it can to assist. There's good sense in making adjustments if a customer's struggling to meet repayments. That doesn't necessarily mean accepting new terms; it might suggest a short-term reduced payment plan, for example, deferring interest payments.

With this in mind, I've looked at the evidence the parties have provided to me to see whether it was incumbent on Halifax to do more to assist Mr C. Given what he told the bank at the time about losing his job and his stretched finances, I'm satisfied it should've been aware of his potential to fall into difficulty. And I think it could've done more to look into things further.

Would that've made a difference? That's rather less clear. Our adjudicator asked Mr C for his comments on his financial situation. But Mr C didn't reply. So I've gone back over Mr C's account statements and repayment history. That information's rather limited. It doesn't tell me anything about the other accounts Mr C held, or much about any conversations he might've had with other creditors. And it doesn't tell me if there were any areas of non-essential spending Mr C could've cut down to maintain his contractual obligation to Halifax.

From the information I have, it seems Mr C was able to manage his finances fairly well. I'm not saying it wasn't difficult for Mr C to meet the loan repayments. But he has done so, and I've seen no material evidence of problems being caused elsewhere as a result. Granted, Mr C was made redundant. He used his payment to reduce his other debts, freeing up money for other things. And fortunately, it looks like he was able to get another job quite quickly.

I appreciate Mr C's circumstances, and the sensible approach he's taken towards dealing with his finances at a time of great personal concern. However, I don't think it'd have been right for Halifax to treat Mr C as being in financial hardship. That's because there are usually further implications of a reduced payment arrangement or default; not least the effect it'd have on Mr C's credit file.

Had Mr C been unable to get another job, the situation might be rather different. I appreciate, of course, that I say this with the benefit of hindsight. But with that knowledge, I don't think I can properly expect the bank to compensate Mr C, or to revise the existing lending terms. If Mr C's unhappy with the current loan, then it's for him to see if he can get better terms with a different lender.

my final decision

I'd again emphasise that I've only been able to review Mr C's sole account. If more information had been provided, it's possible I might've said something different. But for the reasons I've explained, I won't be asking the bank to do any more than it already has.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 9 November 2015.

Niall Taylor
ombudsman