

complaint

Mr R feels that Lloyds Bank Plc (Lloyds) hasn't treated him fairly about a loan he took with it.

background

Mr R complains that Lloyds shouldn't have sold him a loan as he couldn't afford to repay it.

Mr R complained and Lloyds said it had dealt with the issues appropriately. It has made an offer to Mr R. Mr R doesn't accept Lloyds offer and so complained here. The adjudicator thought that Lloyds offer was fair and reasonable. Mr R does not agree so the complaint has been passed to me.

my findings

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

In August 2011 Mr R took out a loan for £22,000 to be repaid over 60 months. This loan was to refinance existing borrowing including various credit cards. So the loan didn't increase Mr R's outstanding debts. In May 2014 Lloyds moved to its debt recovery department and interest rates were dropped.

Lloyds has reviewed the sale of the loan and has agreed with Mr R's assertion that it may not have been affordable to him at the point of sale. So it has offered to refund the interest Mr R paid before the loan was transferred to the debt recovery department (£7086.09) along with Mr R agreeing to continue to payments in the agreed repayment plan.

Mr R feels the whole loan should be written off. As a consequence it is for me to decide whether the offer made by Lloyds is fair and reasonable.

It is clear that prior to this loan Mr R had built up substantial debts with a variety of creditors. As much of this was on credit cards it is likely that there would be significant interest to be paid on such debt.

Mr R approached Lloyds and he was sold a loan with an interest rate which is likely to be lower than that on the credit cards he had. As the loan was sold to refinance his debt it was for Mr R to use the money to pay off those debts and thus reduce the interest he paid and thus the amount he'd have to pay back. This seems a reasonable approach to take.

Lloyds has decided the loan was not affordable to Mr R and has offered to refund a significant amount of money (interest) and keep the repayment terms agreed through the debt recovery process.

Mr R thinks this is unfair and that the loan shouldn't have been sold. However it clearly was aimed to put him into a better position and bearing in mind the interest rate the loan had, it seems likely to me that he's still in a better position than he would've been if he'd kept his debt on the credit cards and other facilities he had.

Mr R has been offered a significant amount of money and offered attractive terms for repayment of his debt by Lloyds. Mr R's suggestion is that the debt should be wiped- however it is clear that debt is as a result of previous spending by Mr R and it seems unfair

to me to ask Lloyds to essentially take responsibility for Mr R's previous spending. It seems clear to me Lloyds has accepted its failings and made a reasonable offer to Mr R. In effect this offer means that he'll pay far less interest on this debt than he otherwise would have done.

As a consequence of all of this I consider the offer made by Lloyds to be fair and reasonable. I see no persuasive reason to amend it.

My final decision

For the reasons I have explained my final decision is that I award the settlement suggested. My decision is that the settlement is fair and reasonable.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr R to let me know whether he accepts or rejects my decision before 7 September 2015.

Rod Glyn-Thomas
ombudsman