

complaint

Mrs K complains that Lloyds Bank PLC mis-sold her a loan and a credit card in 2005.

background

Mrs K owed over £20,000 to three other companies with which she had credit cards. In March 2005 Lloyds refinanced her borrowing by giving her a loan and a new credit card. (Also, her overdraft with her account at Lloyds had exceeded the agreed limit, so Lloyds extended her limit so she wouldn't keep being charged unauthorised overdraft fees.) Mrs K's complaint is that she was left worse off than before, because her monthly repayments on the loan and the new credit card were higher than what she had been repaying previously. She says she couldn't afford to borrow so much. She missed her repayments, and the accounts were passed to collections in 2006. The credit card debt was later sold. Mrs K says Lloyds should have provided her with better advice. She wants the loan and credit card debts to be fully written off.

Another ombudsman rejected this complaint in 2014. But in December 2015 I re-opened it, because Mrs K provided evidence to show that the original decision had been partly based on inaccurate information. Lloyds hadn't objected to the original complaint being considered by our service, even though it was brought outside of our time limits. And to its credit, the bank consented to the re-opened complaint being considered too. After our adjudicator had asked Lloyds some questions about the refinancing, Lloyds agreed to refund all of the interest and charges on the loan, the credit card and the overdrawn current account as a gesture of goodwill, and without waiting to see the final outcome of this complaint, as it believes that's the right thing to do. The refunds come to a total of nearly £3,000.

Our adjudicator thought that was a fair offer, as that it was more than she herself would have awarded. She did not accept that the loan and the credit card debts should be written off, because this was money that Mrs K had owed all along. Her debts to Lloyds had just been the re-financing of her old debts. So she thought that Mrs K was still liable to repay the debts.

Mrs K did not agree. She maintained that all of the debt should be written off. She says that the refinancing was unaffordable, and that Lloyds had misled her into agreeing to it. So I have looked into this complaint again.

my findings

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

After Mrs K's debts were refinanced by Lloyds, her combined monthly repayments on the loan and the credit card came to slightly more than her original repayments had been. It was partly for that reason that I re-opened this complaint, because it might have left Mrs K worse off than she was before. Lloyds no longer has records of what happened in 2005, but it doesn't accept that the refinanced borrowing was unaffordable. It thinks the object may have been to reduce the interest rates Mrs K was originally paying. But whatever the reason, the bottom line is that the money Mrs K was borrowing was money that Mrs K already owed to someone else. If the original debt hadn't been refinanced, she would still have owed that money. Mrs K told the adjudicator that she didn't know how she would have paid back that money if she hadn't refinanced the loan with Lloyds. And she had the benefit of having

borrowed that money, which she spent. So I don't think it would be fair to expect Lloyds to write off the money. It's not Lloyds's fault that she was in debt in the first place. Lloyds is entitled to that money.

Lloyds has decided to refund the interest and charges on the loan and the credit card out of sympathy for Mrs K's financial position. It has also decided to refund the interest and charges on the current account as well, going back to March 2005. That is more than I would do if I found that the loan and the credit card repayments were unaffordable. So it must be a fair offer. It follows that I don't need to investigate whether the refinancing was unaffordable or not. I know that Mrs K feels strongly that I should, so I recognise that she may feel disappointed about that. But it wouldn't make a difference to my decision if I did. I think that Lloyds has done enough – especially since it could have just said that this complaint was time-barred instead.

my final decision

My decision is that I uphold this complaint. I understand that Lloyds Bank PLC has already begun the process of refunding Mrs K £2,993.85 in interest and charges; I order it to see that through. I don't require it to do anything else.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 10 March 2016.

Richard Wood
ombudsman