

complaint

Mr and Mrs W complain that NRAM plc mis-sold a secured loan to them.

background

Mr and Mrs W took out a secured loan in 2007 to repay unsecured debts. Mr W says the loan was not affordable or suitable. NRAM knew they had financial difficulties. It did not tell them to seek advice or explain the consequences of consolidating unsecured debts. They found themselves in financial difficulties soon after taking out the loan, suggesting it was not affordable.

Mr W says NRAM didn't do enough to understand their financial position. If it had, it wouldn't have offered the loan. It would have been better if they'd made arrangements with their creditors. He says the property value was not enough for the loan. They'd consolidated debt when they re-mortgaged in 2005, so NRAM should have known this wasn't suitable.

The adjudicator did not recommend that the complaint should be upheld. She said:

- NRAM didn't recommend the loan. So it didn't have to assess Mr and Mrs W's circumstances or whether the loan was the best option for them. NRAM met its obligation to check the loan was affordable and had verified their incomes.
- While the consolidation increased the overall cost of the debt, it reduced their monthly payments. NRAM was not required to tell Mr and Mrs W there might be other ways to clear their arrears or recommend they take advice.
- NRAM used an indexed valuation instead of having the property revalued. This was standard at the time. While it's unfortunate the value of the property later fell, this was not NRAM's fault.

Mr and Mrs W did not agree. They said consolidation was not an appropriate way to deal with their debts. The loan was not affordable on the basis of their income at the time. NRAM couldn't provide a breakdown of expenditure so couldn't have assessed affordability. It didn't properly value their house. Mr W says an online price calculator shows their house was worth less than the debt and NRAM deliberately put them into negative equity. The loan burdened them with debt, increased their costs and put them into negative equity.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

NRAM sold the loan on a non-advised basis. So the rules about obtaining all relevant information and ensuring any recommendation is suitable for the customer's needs and circumstances didn't apply. NRAM had to provide information to Mr and Mrs W so they could decide whether to take out the loan. It also had to assess whether the loan was affordable. I think it dealt with Mr and Mrs W's loan application in accordance with regulations at the time.

Mr W wants more information about the process and the information used to assess that the loan was affordable. Unfortunately, limited information is available. NRAM's internal notes say it verified Mrs W's income and checked Mr W's income using information provided in 2005. It noted their monthly disposable income. I think it's likely NRAM assessed affordability and I haven't seen anything to suggest it didn't follow the correct process when doing so.

Mr W says NRAM didn't value their house properly and quotes values from an online house price calculator. The online calculator is based on general price movements and the provider doesn't guarantee its accuracy. I don't think I can reasonably decide NRAM made an error based on this. NRAM assessed the value of Mr and Mrs W house to help it decide whether to offer the loan. I think it's unlikely NRAM deliberately put Mr and Mrs W into negative equity. I think it's more likely the valuation at the time suggested the property was adequate security for the loan. I'm sorry if the current value of Mr and Mrs W's house means they are in negative equity. But, on balance, I don't think this is due to an error by NRAM.

NRAM sent a loan offer to Mr and Mrs W. The offer said NRAM didn't recommend the loan. It said Mr and Mrs W must make their own decision whether to proceed. I think NRAM provided sufficient information to allow Mr and Mrs W to decide whether to take out the loan.

Mr W says the loan was not suitable and made their financial position worse. From what I've seen, I don't think NRAM made an error when it offered the loan. It didn't sell the loan on an advised basis. So it didn't have to advise Mr and Mrs W about other ways to deal with their debts or whether the loan was suitable for their needs.

While I sympathise with the situation they are in, I don't think NRAM breached regulations or mis-sold the loan to Mr and Mrs W.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs W to accept or reject my decision before 12 February 2016.

Ruth Stevenson
ombudsman