

complaint

Mr A complains that Clydesdale Bank PLC mis-sold him a loan he could not afford after increasing his overdraft without checking that he could repay it. He wants the bank to write off his debt without affecting his credit record.

background

Mr A had several debts with the bank, including a credit card account, a loan and an overdraft. The overdraft limit had gradually increased and in June 2008, the bank wanted the overdraft cleared. An interest only loan to cover all of Mr A's debt was arranged. Mr A told the bank he could not afford the loan and tried to negotiate a lower rate of interest, but he eventually signed for a loan at 2% over base. After a year the bank converted this to a repayment loan at 3% over base. Mr A has maintained payments ever since the first loan in 2008.

The adjudicator did not recommend that this complaint should be upheld. She concluded that Mr A had discussed increases in his overdraft with the bank and that the bank had been reasonable when it provided the increases. She noted that Mr A had told the bank he could not afford the re-structured loan, and that he had asked for reduced interest rates – but that when the bank declined this, he had been able to maintain payments for over three years. Furthermore, she noted that the bank had not increased Mr A's debt overall and had clearly explained to him – before the first consolidation loan in 2008 – that he could default on the debt, but that this would affect his credit rating.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I find that I have come to the same conclusions as the adjudicator did, for much the same reasons.

There are two main points within this complaint.

Firstly, was it reasonable to increase Mr A's overdraft. The bank's notes say that Mr A requested increases – and told the bank that he was expecting bonuses which would repay the overdraft. This had happened in the past, and I am satisfied, therefore, that increasing the overdraft was a reasonable response from the bank. Furthermore, Mr A used the overdraft and had the benefit of the money, so I am satisfied he owed a debt to the bank, which was repayable on demand, as overdrafts generally are.

Next, did the bank mis-sell Mr A a consolidation loan in 2008 and/or 2009? In 2008, the bank wanted Mr A to clear his overdraft, and eventually offered him a consolidation loan for all of his borrowing, which was to be secured by a charge on his house and reduced (in addition to regular payments) by bonuses, a court settlement and the proceeds of the sale of a property, all of which Mr A told the bank he expected to receive. I can see that Mr A did tell the bank that he could not afford the loan and tried to negotiate a lower interest rate. The bank said it could not reduce the rate and explained that if Mr A defaulted, there would be an impact on his credit rating. I am satisfied that the bank's actions were both reasonable and supportive. It did not increase his debt, accepted interest only payments for a year and did not take the requested security. The bank's commercial decision about which interest rate to charge is not something which we would normally challenge, and I do not do so here. Additionally,

Mr A has maintained payments for over three years, which supports the argument that he can afford the debt, although I see no lump sum repayments from the sources Mr A told the bank he expected.

I cannot see that Mr A has told us – or Clydesdale - that he can no longer afford to meet his repayments. If he is now suffering from financial difficulties, then he should contact the bank to discuss this as the bank may be able to help him going forward.

my final decision

My final decision is that I do not uphold this complaint.

Susan Peters
ombudsman