

complaint

Miss B complains that Lloyds Bank PLC wrongly assured her that her repayment plan would not result in her loan going into default.

background

Miss B was experiencing financial difficulty and felt she would not be able to keep up the repayments for the loan she had with Lloyds. She spoke with Lloyds by phone and it was agreed that she could pay a reduced amount of £30 for 12 months, to help her over the financial difficulties.

Miss B asked whether this would result in a default being put on her credit file and was told that, as long as she paid the agreed amount, the account would not be sent to the recoveries section and there would not be any default on her credit file.

Three months later, Miss B received a formal demand for the debt and became aware that the reduced payments had impacted her credit file. She subsequently arranged to increase her repayments to cover the full contractual amount together with some extra towards the arrears.

Lloyds accepts that it gave Miss B wrong information and that it should have explained that the payment arrangement would be reflected on her credit file. It paid her £250 in recognition of that. There was also a small administrative error, for which Lloyds paid another £50. As things were not settled, Miss B brought her complaint to this service where an adjudicator investigated it.

From the evidence, the adjudicator was not persuaded that Miss B would have maintained the full contractual loan repayments – even if Lloyds had given her the right information about the effect of the payment arrangement. Overall, the adjudicator felt that the payments Lloyds had already made to Miss B were fair and so did not recommend that the complaint should succeed.

Miss B did not agree and said, in summary:

- Lloyds told her the wrong thing, and so the arrears were Lloyds' fault. There should be no arrears recorded on her file.
- She wants a consolidation loan but Lloyds has told her it won't consider that while her existing account is in collections. Given that Lloyds was at fault, it should remove her account from the collections area.

my findings

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

It's not in dispute that Lloyds gave Miss B wrong information when she made the payment arrangement over the phone – Lloyds told her that, as long as she kept to the payment arrangement, her account would not go into default. In fact, because Miss B was only going to pay £30 as against her contractual repayment of over £200, the account would go into default within a few months.

Listening to the call that Miss B had with Lloyds at the time, it does not seem to me that the monthly help that Miss B says her partner could provide (£200-£250 a month for the loan) was dependable income for her. If it were, then I don't see that Miss B would have needed a repayment arrangement at all – since the full loan repayments were £202 a month.

Rather, the way Miss B describes it is that there will be a variable amount from her partner each month which will sometimes be paid in cash rather than going through her bank account, and will depend on what her partner (who did not live with her at that time) can afford.

The Lloyds employee made clear that the best thing would be for Miss B to make the full monthly repayment if she could afford it. But she chose to make the substantially lower payment arrangement of £30 a month – the amount which her personal income and expenditure figures showed as the only amount available. This seems to reinforce that the help from her partner could not be counted as regular income.

In all the circumstances, I am not persuaded that – if she had been given the full and correct information about how the payment arrangement would affect her loan – Miss B could and would have continued to pay the full repayments for the loan.

Miss B has subsequently made a new payment arrangement and is now covering her contractual repayment plus some money towards the arrears. I understand that Miss B and her partner now live together, which has helped things a bit financially, but that the monthly repayments are a stretch for them to maintain.

Miss B has said that she and her partner are currently using credit to make ends meet, and so I am not clear whether the new loan arrangement is truly affordable for Miss B or not. If the effect of the new loan repayment is that Miss B and her partner are adding new debt on another account, then it may be to their advantage to get impartial debt advice to take account of their overall financial position. I appreciate that Miss B would like a consolidation loan, but I do not consider that Lloyds' earlier error means it must provide that.

Because the loan is in the collections area, Lloyds has been able to freeze charges and any additional interest that would otherwise have accrued. As soon as the arrears are repaid, the account will return to branch control. Lloyds removed the previous default from Miss B's credit file, and the current registration on her credit file makes clear that she is now making her full repayments and also repaying her arrears.

Taking everything into account, I do not consider that Lloyds must pay additional compensation to Miss B or take further steps to alter her credit file or loan. I find that the amounts it has already paid are a fair settlement.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 14 November 2016.

Jane Hingston
ombudsman