

## **complaint**

Miss R complains that Lloyds Bank PLC did not give her good advice when she took out a loan to consolidate existing debt. She complains, in summary, that she wasn't told that she would pay an early repayment fee on her existing loan, and that the new loan was at a much higher rate of interest than her existing debt.

## **background**

Miss R took out a loan to cover: a loan where she had acted as a guarantor for a friend but her friend had not kept up the repayments; the balance on an existing loan; and the outstanding balance on her credit card. In addition, the new loan amount provided her with some surplus cash. Miss R's existing loan had an annual percentage interest rate (APR) of 9%, the new loan had an APR of 18.8%.

The adjudicator recommended this complaint be upheld in part. He thought that the terms of the new loan had been made clear to Miss R, over a number of meetings, and she had enough information to make her decision to go ahead. He also thought, however, that the terms and conditions around the early repayment fee of £58.77 on the original loan were not clear, and suggested to the bank that this payment should be refunded to Miss R.

The bank agreed with the adjudicator, although said it thought it was not at fault, and also agreed to the repayment of £58.77. Miss R disagreed. She said that she thought she was given advice by the bank and, in any event, if it had not advised her it should have directed her to appropriate debt advice. She also said, pointing to press cuttings and other reports, that it is clear Lloyds' staff were incentivised to sell higher interest rate products, and the bank sold her a loan which was for more than she needed, at an interest rate that was too high.

## **my findings**

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

Miss R says that she knew she needed about £8,600 to pay off the amounts she owed, but the bank advised her to take more so she would have some money to spend and the loan repayments would be lower each month. She also says at no time was she told the new loan would be at a higher rate than the existing loan, or that she would pay a charge for closing the original loan account.

The bank says that it did not give advice to Miss R, she had three meetings with staff with plenty of time to consider her decision, was provided with clear information about the new loan on offer and the higher interest rate. It also said that her objective was to reduce her monthly outgoings, and that her credit card debt and the debt where she acted as a guarantor were at a higher interest rate than the new loan.

Having considered all of the documents on file, including the notes made at the time about Miss R's objectives, and her later account of events, I consider it more likely than not that Miss R was aware of the terms of the new loan, the implications of the amount she was borrowing, and the higher interest rate of the new loan - and made the decision to proceed. I consider that it was likely Miss R was concerned that her monthly outgoings remained affordable even when she had to cover the debt on the loan where she acted as a guarantor.

I do not consider it would be reasonable to conclude that the bank should have offered Miss R, as she argues, the same interest rate as her existing loan for the new amount. The bank was free to offer her a product with a higher interest rate, which is clearly set out in the loan agreement documentation.

Miss R says she knew how much she needed to cover her debts, but was told the repayments would be lower each month if she borrowed more money. Considering this point in the round, with all the other circumstances and the documentation about the new loan that was provided, I am not persuaded that Miss R was misled into thinking the only implication of borrowing more money would be to reduce her monthly outgoings.

I have carefully considered Miss R's representations about the incentive schemes for the bank's staff, but these do not change my decision about what is most likely to have happened in this individual case.

The bank has agreed to refund Miss R £58.77 to cover the early repayment charge on her original loan.

### **my final decision**

My final decision is that I uphold this complaint in part and direct Lloyds Bank PLC to refund Miss R £58.77 (if it has not already done so) to cover the charge made to close her loan account.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss R to let me know whether she accepts or rejects my decision before 13 March 2015.

Heather Clayton  
**ombudsman**