

## **complaint**

Mr R complains about the level of interest applied to his loan with Firstplus Financial Group Plc. He is also unhappy that interest wasn't frozen whilst he was on a reduced repayment plan.

## **background**

Mr R approached Firstplus in September 2005 as he was experiencing financial difficulties. It agreed a reduced payment arrangement.

Our adjudicator has recommended the complaint be upheld. He considered:

- Firstplus should have recognised that Mr R was in long-term financial difficulties by September 2007;
- once it was recognised he was in long-term difficulties it should have considered a reduced payment arrangement wasn't in his interests and defaulted the loan;
- it should reduce Mr R's debt by all of the repayments he's made since September 2007, based on whatever the outstanding balance would've been had it been frozen at that point; and
- moving forward, it should find out from Mr R what he can afford to repay and allow him to make those repayments without incurring interest.

Firstplus disagrees. It says:

- Mr R had only ever given details of short term issues when asking for reduced repayment arrangements;
- it cannot agree that the default should have been registered earlier as Mr R had set up payment arrangement plans during this time; and
- it considers it has treated Mr R fairly and in a sympathetic manner.

## **my findings**

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

When a customer is in financial difficulties lenders are required to respond positively and sympathetically. I consider by agreeing to a reduced repayment plan in September 2005 Firstplus did respond positively and sympathetically. But when Mr R failed to return to making the original monthly payments it should have looked at Mr R's financial situation again.

On balance, I'm satisfied that if it had the lender would have realised by 1 September 2007 Mr R's financial difficulties weren't temporary. And therefore it should have transferred the loan account to its recoveries department. Had the account been transferred no further interest would have been applied.

I therefore consider it would be fair and reasonable for Firstplus to refund all interest on the loan since 1 September 2007 and not apply interest to the debt going forward. Firstplus will need to provide information to the credit reference agencies which reflects what I consider it should have done. It should therefore show the reduced balance and the payments Mr R

made. Going forward it won't be entitled to record a default as I consider the default occurred in September 2007. Any default it may have recorded after 2007 should be removed.

Mr R will still owe Firstplus money. I urge him to continue to work with it and to give it information about his current financial position. I remind the bank of its ongoing obligation to respond positively and sympathetically. Whilst Firstplus won't be able to record a default going forward this won't stop it from being able to pursue recovery action if a new payment arrangement can't be agreed.

### **my final decision**

My decision is that I uphold this complaint. I order Firstplus Financial Group Plc to:

- refund all interest on the loan since 1 September 2007;
- update the credit reference agencies to show the reduced balance and the payments Mr R's actually made; and
- remove any default it has recorded after 2007, and not re-register a default.

Nicola Wood  
**ombudsman**