

complaint

Mr and Mrs S are unhappy with the amounts that Prestige Finance Limited says they need to pay toward their secured loan account.

background

Mr and Mrs S have a secured loan with Prestige. The loan was originally taken out through a different lender, but was transferred to Prestige in 2015.

With no payments being made to the account between September 2016 and February 2017, the account fell into some significant arrears. During this time, Mr and Mrs S were trying to sell the property so that they could pay the loan off. And they were in touch with Prestige about what they could afford to pay in the meantime. After reviewing their circumstances, Prestige agreed to a temporary arrangement of £50 a month in February.

Prestige reviewed the situation again in May, by which time Mr and Mrs S had removed the property from the market having been unable to agree a sale. A further arrangement was later agreed – this time for around £385, being the monthly payment with £40 on top to go towards the arrears. And again it was to be reviewed after three months.

In writing to confirm this arrangement, Prestige also advised Mr and Mrs S that to ensure the loan was paid off by the end of the term they would need to increase their monthly payment to almost £585. Mr and Mrs S raised concerns with Prestige about the additional amounts they were being told they'd have to pay. But Prestige responded to say that as the account had been in arrears, they'd need to pay more due to additional interest and charges that had been applied in line with the terms of the account.

When the latest arrangement ended in September, Mr and Mrs S offered to continue paying £385 – but Prestige declined this. After reviewing their income and expenditure, it said there was a surplus of around £70 and that it wanted Mr and Mrs S to review the amounts they were spending on 'non-priority' items. Mr and Mrs S complained, but this didn't change Prestige's position – so they referred the matter to us.

While the complaint was with us, Prestige reviewed things again and said it would accept a payment plan of the monthly payment plus £40 for three months. And as long as the property was back on the market, it would then look to agree a further three months after that – so up until May 2018.

When our investigator reviewed Mr and Mrs S's complaint, he didn't think Prestige needed to do anything more. While he appreciated it had been a difficult time for Mr and Mrs S, he thought Prestige had tried to help through a number of arrangements – and was, ultimately, entitled to seek repayment of the outstanding amounts. He thought the offer it had now made was fair.

And in terms of the additional amounts that Mr and Mrs S were faced with paying over the remaining term, he thought these had been correctly charged as the loan balance hadn't reduced as expected. So he couldn't see anything wrong in the way Prestige was administering the account.

Mr and Mrs S remained unhappy at the prospect of having to pay an additional £250 on top of their monthly payment to pay off the loan in the long run, which they'd worked out to be an extra £23,000 in interest on just £3,000 arrears. And they said it was only this fact that had pushed them into putting the property back on the market – which in turn had prompted Prestige's most recent offer to reinstate the payment arrangement.

As Mr and Mrs S didn't accept our investigator's view, their complaint was passed to me to decide.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so – and while I have considerable sympathy for the position Mr and Mrs S find themselves in – I don't think Prestige has done anything wrong in the way it's handled their account. I'll explain why.

the payment arrangements

Mr and Mrs S were nearing the end of a repayment plan in July 2016 to catch up on some missed payments. So when they made a payment of £376 in August that year, they'd brought the arrears balance down to less than one month's payment. Mr and Mrs S weren't able to make a payment in July, and the arrears began to increase again thereafter.

They've explained they were experiencing some difficult personal and financial circumstances around this time. Mr S, who already suffered from post-traumatic stress disorder, sadly lost both his parents in a short space of time. I understand this led to him leaving his job, and though he did later take up a new position this was with lower pay. At the same time, Mr and Mrs S were trying to sell their home so that they could downsize – and pay off their debts altogether. In the meantime, things were very tight for them.

Understandably therefore, Mr and Mrs S were under some strain in 2016 and I'd expect Prestige to have considered what help it could offer them. And having reviewed the history of the account, along with Mr and Mrs S's comments as to what's happened, I think it took reasonable steps. It accepted substantially reduced payments of £50 a month for three months from March 2017. And that was having received no payments to the account in the previous six months. This allowed Mr and Mrs S some breathing space, and time to agree a sale of the property.

By the time that arrangement came to an end in May, Mr S had found a new job and – having been unable to sell at a price they were happy with – he and Mrs S had taken the property off the market. So Prestige went through a new income and expenditure assessment with them.

I know that Mr and Mrs S are unhappy that in discussing their circumstances, Prestige queried a number of their expenses and asked that they be reviewed and reduced if possible. I can see that Prestige was certainly very thorough in its assessment of Mr and Mrs S's income and expenditure – questioning, for example, the amount they paid for TV subscriptions and their credit card repayments. And I appreciate that, as Mr and Mrs S felt they were doing all they could, this felt like an extra burden to go through.

But with the account having fallen into arrears of almost 10 months' payments, I think Prestige was entitled to ask these types of questions to ensure that Mr and Mrs S were prioritising payments towards this secured loan account – and paying as much as they could afford. It was also in Mr and Mrs S's best interests to do so, as they'd be paying more in interest the longer the arrears remained outstanding. And ultimately Prestige agreed the repayment plans that Mr and Mrs S had said they were willing to commit to (in May and again in November), which seem to have been affordable for them and which helped address the arrears balance. So I don't think its actions were unreasonable.

the figures quoted for repaying the loan on time

It was the letter confirming this arrangement that prompted Mr and Mrs S to raise further concerns with the amounts they were being charged. While this advised that Prestige was accepting payments totalling £385.30 for the next three months, it also explained that:

“In order to clear the outstanding balance by the term of the loan you will need to make monthly repayments of £584.18. We would therefore request that over the next three months you review your finances with a view to increasing payments from the month of August 2017.”

Mr and Mrs S were alarmed at the prospect of having to pay an extra amount of almost £240 a month for the next nine years to make sure they repaid the loan in full. They couldn't see how this amount, which would total somewhere in excess of £23,000 over the remaining term, was fair – given the arrears were only around £3,000. Given these large amounts, their concerns are perfectly understandable.

But from what I've seen, the figures that Prestige has referred to are correct. The higher amounts aren't just a result of the arrears that have built up on the account over the last 18 months. It's that over the history of the loan, Mr and Mrs S haven't always made the monthly payment in full and/or on time. So the account balance hasn't reduced in line with the expectation at the outset. As the balance has been higher, the amount of interest they've been charged is higher too. Additional interest will also have been charged on the unpaid amounts until they've been caught up, which is provided for within the terms of the loan agreement. And fees have also been added over the course of the loan – again in line with the terms of the agreement – which will also have incurred interest.

All of this means that at the time of Mr and Mrs S's concern in July 2017, the loan balance stood at around £42,000. So working out how much it would cost to pay that back over the remaining term of around 9 years, the monthly payment of £584 that Prestige quoted appears correct. But that could reduce if Mr and Mrs S are able to catch up the missed payments quicker in the future.

So while I'm sorry to see that it's these figures that Mr and Mrs S feel leave them with no option but to sell their home, I can't see that they've been calculated incorrectly.

how matters stand now

While the complaint's been with us, Prestige has said it's willing to continue with the existing arrangement of the contractual monthly payment plus £40 on top towards the arrears. This is on the basis that Mr and Mrs S keep them informed of the progress of the sale, and would then be reviewed at the end of this month. It's said that a further three-month extension to that could then be agreed, allowing Mr and Mrs S time to sell the property – at which time the situation can be reviewed again.

That seems a reasonable way forward, based on what Mr and Mrs S are saying they can presently afford and their intention to sell the property. It may be, though, that their circumstances change – and I'd expect Prestige to continue to engage with them and treat them fairly.

I've also noted that Mr and Mrs S are concerned at a recent letter they received from Prestige about an interest rate increase. They're worried that the new monthly payment they've been quoted in light of that change is incorrect. But that's a new issue that Prestige hasn't had the opportunity to investigate yet – so I'm not able to comment on it here. Mr and Mrs S will need to raise this with Prestige first, with the option of referring it to us here if they're not happy with the response they receive (or if Prestige doesn't respond within eight weeks of the complaint).

my final decision

For the reasons set out above, I don't uphold Mr and Mrs S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 6 March 2018.

Ben Jennings
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