

complaint

Mr and Mrs A complain that Lloyds TSB Bank Plc granted them two unaffordable personal loans, which have caused them considerable financial difficulties. They also say Lloyds TSB provided poor customer service in dealing with their complaint, and should remove adverse information it recorded on their credit files.

background

In January 2011, Lloyds TSB approved a personal loan of £22,000 to Mrs A. Monthly repayments were £481.18, and the majority of the loan was used to pay existing debts, including an outstanding credit card balance. Several days later, Mr A also received a personal loan from Lloyds TSB, for £25,000. He used the money to repay outstanding credit card balances, to give money to his daughter and to repay external debts. His monthly repayments were £509, bringing the household monthly repayments towards these debts to £1,105, against a joint monthly income of £1,280.

Within a few months of taking out the loans, Mr and Mrs A started to use their credit cards again for transactions and cash withdrawals. They met their repayment obligations until December 2011, when they fell into arrears.

Lloyds TSB has acknowledged that the second loan was not affordable, and says it did not take account of the loan it had made to Mrs A when it considered his application. In December 2011, it offered to refund the interest which had been applied to both accounts, to cancel the overdraft facility, and transfer all loans and accounts to its Consumer Debt Recovery department (CDR). This would mean all interest would be frozen and a repayment plan could be agreed. Mr and Mrs A accepted this in full and final settlement of the complaint, but later decided they were not satisfied with the offer.

Lloyds TSB took several months to transfer the accounts, which resulted in further interest being applied and additional loan payments being taken. Lloyds TSB has since refunded these, and has paid Mr and Mrs A £100 compensation for distress and inconvenience this caused.

The adjudicator did not recommend that the complaint should be upheld. She noted that much of the borrowing was used to pay existing debts, and that Mr and Mrs A had received a benefit from the loans. She considered that the bank's response to its irresponsible lending was fair and reasonable in the circumstances. She also considered that its payment of £100 compensation for delays in responding to the complaint was appropriate in the circumstances. She was of the view that, as the bank is required to provide accurate information to credit reference agencies, it should not have to remove the adverse information recorded regarding these loans.

Mr and Mrs A do not agree, saying they were induced to borrow far larger sums than they could repay, and that their financial difficulties and impaired credit ratings are the fault of Lloyds TSB.

my findings

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

I appreciate this has been a very stressful experience for Mr and Mrs A, who did suffer from financial difficulties after being given a level of debt which was unsustainable for them. I note they did accept the bank's settlement offer in December 2011, though I appreciate they have since changed their view on this.

As Mr and Mrs A did accept the settlement, I am limited in what I can consider and order in relation to it. Lloyds TSB has acknowledged that the second loan was unaffordable, and it refunded all interest on the accounts and undertook to freeze further interest. As Mr and Mrs A did receive a benefit from the loans, in that they were able to refinance existing borrowing, I am not able to order the bank to refund the loan itself. I also note that the bank accidentally refunded two extra loan payments but has said it will not ask for these to be repaid. It has also agreed repayment arrangements with very low monthly payments to ease the financial pressure on Mr and Mrs A. I therefore consider the bank has done what we would expect of it in relieving some of the financial difficulty it has caused.

Lloyds TSB did fall short of expectations in taking several months to transfer the accounts to its CDR. It has paid Mr and Mrs A £100 compensation for the distress and inconvenience this caused them, which is in line with what this service would recommend.

I understand Mr and Mrs A are unhappy that the bank has recorded adverse information on their credit files. I realise they feel they were induced to take out the loans, and that they believe it is not their fault that they experienced difficulty repaying the loans. However, they did use the money and, as banks are required to report accurate information to credit reference agencies, we would expect them to record the arrears and recovery action on each account. It is by ensuring such records are up to date that the kind of error which caused this complaint to arise, can be prevented.

my final decision

I appreciate that Mr and Mrs A feel they have borne the brunt of Lloyds TSB's poor lending practices, and I do sympathise with their situation. However, as Mr and Mrs A used the money and had the benefit of the loans, and, as Lloyds TSB has taken appropriate steps address the consequences of its error, my final decision is that I do not uphold this complaint.

Catherine Wolthuizen
ombudsman