

## **complaint**

Mr G feels that Lloyds Bank PLC (previously Lloyds TSB) is acting unfairly in refusing to accept the repayments he's offering it towards a debt he owes under a guarantee. He's also unhappy the bank has charged him interest, which he says it agreed to waive.

## **background**

Mr G owes money to Lloyds Bank from a guarantee he gave for a loan. He says he's financially stretched and can only afford £300 each month. His debt is secured by second charge on his property. Lloyds Bank says Mr G's income and expenditure statement indicates he could pay more. It's concerned Mr G is dealing more favourably with his other creditors. The bank believes Mr G should be giving this secured debt priority over other money he owes.

Mr G says he's already offering Lloyds Bank a larger proportion of his available money than his other creditors. He thinks reducing the amount he's paying them will lead to his bankruptcy. He adds that he's in negative equity. Mr G also says Lloyds Bank agreed to waive some interest when it gave him a payment break.

Our adjudicator didn't think he could expect Lloyds Bank to accept Mr G's proposal. He found the bank's notes from 2009 said it would freeze interest. But that was subject to Mr G making a commitment to repay the debt. Mr G hadn't made any payments for several years. So interest had continued to build up.

Mr G appeared to be placing a lower priority on the money he owed Lloyds Bank. In light of this, the adjudicator felt the bank's position was reasonable. But Mr G didn't accept the adjudicator's conclusions. He repeated his concern about his other creditors seeking his bankruptcy. And he felt it unfair that Lloyds Bank now wants higher payments than the original loan required.

## **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, for similar reasons to the adjudicator, I don't think I can fairly order Lloyds Bank to accept Mr G's current offer.

I accept Mr G has shown he has a number of other financial commitments. In dealing with the people to whom he owes money, Mr G has to decide which of these debts take priority. It's not for me to decide this for him. But given that he gave Lloyds Bank a legal charge over his property and he hasn't paid it any money since 2009, I can understand why the bank feels it isn't being given sufficient priority.

It seems to me Mr G might benefit from some expert financial advice in dealing with his creditors. I can't provide that to him. It would affect my impartial status. But there are free organisations – for example, the Citizens Advice Bureau or StepChange – that provide such a service. I'd imagine Lloyds Bank would be willing to consider any reasonable offer Mr G might put forward through either of those organisations. While I can't compel Mr G to take such steps, it strikes me that continued non-payment is likely to have further consequences.

If such action results in lower monthly payments, then Mr G's point that they're higher than the original loan might fall away. But in case it doesn't, I should say that there are reasons

for the higher payments Lloyds Bank is seeking. The original loan was over a much longer term than Lloyds Bank wants Mr G to repay his debt. And as has already been noted, the outstanding balance has accrued interest since 2009. So it's rather more now than the original sum borrowed. Taking this into account, I'm satisfied Lloyds Bank isn't wrong to set the payments higher than the original loan required.

**my final decision**

My final decision is that I do not uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 9 April 2015.

Niall Taylor  
**ombudsman**