complaint

Mr C says Lloyds Bank PLC (formerly Lloyds TSB Bank plc) mis-sold a loan to him.

background

In 2008 Mr C took out a loan for £7,800 with an interest rate of 7.66%. Mr C's monthly payments were approximately £197 over a 60-month period.

In 2011 Mr C took out a loan for £7,500 with an interest rate of more than 18%. He says the bank wrongly advised him to take out this loan to combine his existing loan (the 2008 loan) and credit card debt. He used the loan to pay off the remaining balance of his previous loan (around £3,600), his overdraft (around £1,400), and outstanding balance on his credit card (around £800) – approximately £1,700 was left over. Mr C's credit card account remained open and the overdraft limit wasn't removed – he continued to use both facilities after the loan was agreed.

Mr C feels he was taken advantage of. He says:

- He was wrongly advised to take out the loan in 2011.
- He didn't understand what the terms of the loan (including the interest rate and monthly repayments) were.
- He lacks understanding of numbers and financial matters, and put his trust in the bank to advise him correctly.
- The bank should've been aware of his difficulties in understanding what he was agreeing to – he says his father accompanied him to the bank when he first opened his account, so his father could tell the advisor about Mr C's issues.

Mr C says he went from paying around £192 a month (under the 2008 loan) to paying around £222 a month. Initially he agreed to pay around £362 a month, but he cancelled the "optional" part of this (£140 repayments to pay off the loan sooner) on affordability grounds.

The bank says the loan for £7,500 was provided to try to reduce Mr C's monthly outgoings and provide a structured repayment plan to repay what he owed. It says the loan was intended to minimise what he paid in the long term – by consolidating what he owed he would save on overdraft charges and fees (he was paying these on top of his loan at the time he took out the loan), and clear his debt sooner.

The bank says it took affordability into account – the original intention was to repay the loan over a shorter period, but it wouldn't agree to a shorter term as affordability wasn't demonstrated. So the terms of the loan changed so that it was repayable over 46 months rather than 25. It says Mr C said he was happy to proceed on this basis.

The bank says its notes don't indicate it was aware of Mr C's difficulties, and that Mr C had 14 days to withdraw from the loan if he wasn't happy.

Our adjudicator didn't consider the complaint should be upheld. She concluded that Mr C should've told the bank he wasn't happy if he wasn't satisfied with the amount of borrowing or the repayments. She noted that the terms of the loan were clearly set out in the loan agreement Mr C signed.

Mr C disagreed with this. He responded to say he has difficulties taking information in (especially anything to do with numbers), that he thought he had agreed to a loan over a 25-month period, and that he didn't realise how much more interest he was paying on his new loan. He questions why the new loan was for £7,500 and not a lesser amount, and why other options weren't presented to him at the time.

my findings

I've considered everything Mr C and the bank have said and provided to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, as some of it is here, I reach my decision on a balance of probabilities – that is, what I consider is most likely to have happened in the light of the evidence that's available and the wider surrounding circumstances.

I wasn't present when the loan was discussed and taken out in 2011, so I can't be sure what happened and whether Mr C appeared to understand what was being said. But on the evidence before me, I'm not persuaded Mr C was taken advantage of. I acknowledge that the interest rate on the loan was higher than the previous loan, but Mr C was also paying interest on the money he owed on his overdraft and credit card. The interest rate on the loan was less than the rate he was paying on his credit card.

It's clear the bank took affordability into account when the loan was set up (the term of the loan was extended to 46 months after the bank's Personal Loans Department considered it). Having considered Mr C's circumstances at the time (including information about his income and outgoings), I'm not satisfied that the loan was unaffordable or unsustainable, or that the bank acted irresponsibly when it sold the loan to Mr C.

Mr C's monthly loan repayments did go up after the 2011 loan was agreed, but he did make these payments. And for a period in 2011 (before he cancelled the "optional" part of the loan payments) he paid more than was required to pay off the loan sooner – this doesn't indicate to me that he was taken advantage of. It suggests to me that Mr C understood what the bank says it told him about his loan – that he could overpay it if he chose, but he didn't need to.

Mr C's father (acting on Mr C's behalf) says Mr C couldn't maintain the required payments without his help, but it's not clear to me that Mr C told the bank he had difficulties repaying the loan.

Mr C says he didn't understand the terms of the loan (including the interest rate and monthly repayments), and that he lacks understanding of numbers and financial matters. He thinks the bank should've been aware of his difficulties and acted accordingly. But I find nothing to indicate that Mr C told the bank about his difficulties at this time. If he wasn't comfortable, or didn't think he could decide whether to take out the loan, I find it odd that he didn't say anything to the bank, cancel the loan within the cooling off period, or ensure that he was supported (by family, friends or an adviser) at the time. The bank has been upfront about the terms of the loan and has explained why it considers Mr C was aware of them at the time. I'm satisfied by what it has said and provided. In the circumstances, I don't think it's fair to conclude that the bank acted unfairly when it sold him the loan.

Mr C's father considers his son was taken advantage of by a bank he trusted – he highlights the point that Mr C wasn't "savvy" and didn't understand the loan he was sold. Mr C's strength of feeling (and his father's) is clear. But I'm not persuaded that the bank was made aware of Mr C's difficulties at the time the loan was entered into.

my final decision

My final decision is that I do not uphold the complaint.

Laura Forster
ombudsman