

Complaint

Mr and Mrs T have complained about a second charge mortgage loan they have with Firstplus Financial Group Plc ("Firstplus Financial"). They're unhappy about the interest applied to the loan, certain terms of the mortgage and they also complain that the loan was mis-sold as they weren't told the loan was unregulated.

Mr and Mrs T also complain that there were no affordability checks undertaken when they took out the loan and that the loan term would extend into retirement.

Background

Mr and Mrs T took out a second charge mortgage with Firstplus Financial during 2005. This was for just under £100,000.

Mr and Mrs T have been unhappy about several aspects of the loan for some time and previous complaints have been made to the business and to our service. Ombudsmen decisions have been issued on those complaints, which range back to 2011. In summary, issues relating to the affordability of the loan and that it extends into retirement, and the unregulated nature of the loan were all things considered by previous ombudsmen.

The investigator who considered the current complaint points explained that as certain points had already been considered by our service these would not now be reconsidered. But, despite these previous cases, Firstplus Financial had decided to make an offer to Mr and Mrs T regarding the interest applied to the loan.

Firstplus Financial offered to reduce the balance of Mr and Mrs T's loan by £39,098 and pay an additional sum in recognition of any inconvenience they'd been caused. This meant the loan balance would be around £40,400, and the interest due over the rest of the loan term would reduce from around £59,300 to £10,000.

Mr and Mrs T didn't accept the offer, and amongst other things questioned certain aspects of the offer, including the revised interest rate used in the calculation and how they would be impacted moving forward.

Firstplus Financial made a subsequent, enhanced offer. This offer was to reduce the balance by around £50,000. This would result in the remaining balance reducing to around £30,000, and the interest to be paid for the rest of the term would decrease to around £5,000.

In simple terms, this was a further decrease to the amount that Mr and Mrs T would be required to pay off, by around £15,000 compared to the original offer. The same additional payment, as in the first offer, to recognise any inconvenience was also included with the updated offer. In addition to this, on acceptance of the offer, Firstplus Financial also agreed to remove any adverse information recorded with the credit reference agencies in relation to payments not made by Mr and Mrs T while the case has been under investigation.

Mr and Mrs T didn't accept the new offer. This was for various reasons, some to do with steps taken by regulatory bodies, others to do with how the offer had been arrived at.

Mr and Mrs T have raised a separate complaint against the company the loan was subsequently sold to, who I will call E. As these are against the other business, they'll be considered separately, and won't form part of this decision.

As the complaint hasn't been resolved informally, it's now been referred to me for a final decision.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've considered the detailed submissions made by Mr and Mrs T. I haven't commented on all of these, rather I've focused on the points that I consider to be key to the complaint. Having done so, I think the revised offer that Firstplus Financial has made in this case is fair and reasonable and I do not consider there to be grounds to instruct it to do anything more than it has already offered.

As the investigator has already set out, a number of Mr and Mrs T's complaint points have been considered before in previous complaints to our service. Our rules allow me to dismiss a complaint if the subject matter of the complaint has already been considered by our service. As the complaint points relating to affordability, the loan extending into retirement and the loan being unregulated have already been considered I dismiss those issues and won't be reconsidering them again in this decision.

Firstplus Financial have offered to reduce the outstanding balance on the account by around £50,000, taking the remaining balance to approximately £30,000, and pay an additional £150 to Mr and Mrs T. In addition to this, they've also offered to amend details relating to missed payments on Mr and Mrs T's credit records. They've done this after considering Mr and Mrs T's particular circumstances and to acknowledge the time the complaint has been outstanding.

Mr and Mrs T have set out their reasons for not accepting the offer, and I've considered these in detail. In summary, the offer was not accepted as it didn't deal with the mis-sale of the loan or the on-going issue of the interest rate for the remaining loan balance. There were also concerns about the findings of other regulatory bodies. Mr and Mrs T also indicated they were not happy with the floor to cap the interest rate as part of the offer. Because of these points, Mr T has said he can't fairly assess either the initial offer, or the one made subsequently.

Firstplus Financial explained how the first offer was calculated and the points it had taken into consideration in making it. The details and breakdown of the offer were shared with Mr and Mrs T.

I'm satisfied the explanation provided is sufficient to demonstrate what factors have been considered and included in the initial calculation. The calculation essentially means that a lower interest rate has been applied to the loan since it began. The £39,098 was a refund of the difference between what Mr and Mrs T were asked to pay and what Firstplus Financial are willing to charge them now, with an additional element of interest added to that.

The offer made since is to increase the reduction to the balance now, in order to mitigate the interest still to be paid. This appears to have the effect of decreasing the interest rate for the remaining period to one that sits below the floor rate given in the original offer.

Mr and Mrs T have referred to the revised interest rate used in the first calculation, saying essentially that it should have been lower. I'm not persuaded that the rate used is unreasonable in the circumstances here as it allows for the differences generally encountered between first and second charge loans. And given the second offer effectively reduces the interest rate for the remaining term below the floor rate in the initial offer, I can't say that Firstplus Financial should do anything more in relation to this point.

The offer to remove information about missed payments with the credit reference agencies also seems reasonable in the circumstances here. Mr and Mrs T have confirmed no payments have been made for some time since they made their complaint. This isn't a step we would have recommended taking – where a payment is due and can be made, it generally should be, regardless of the eventual outcome of a complaint raised with this service.

In relation to information recorded with the credit reference agencies, the requirement is that that information is correct. As payments haven't been made, the expectation is that this would be on record, and such information would be an accurate reflection of the management of the account. Despite the non-payment Firstplus Financials' offer will remove the missed payment markers for the period the complaint has been considered and Mr and Mrs T may therefore wish to reconsider whether they are willing to accept the offer.

I appreciate that Mr and Mrs T may remain unhappy with the outcome here and they may have their reasons for not wanting to accept the offer made by Firstplus Financial. However, having considered all that the parties have provided in this complaint I'm satisfied that the offer is fair and reasonable in all the circumstances of the complaint and I do not consider there to be grounds to instruct Firstplus Financial to increase the offer.

My final decision

My final decision is that Firstplus Financial Group Plc should reduce the balance of Mr and Mrs T's account to £30,000 and pay an additional £150 directly to them. Any adverse information recorded on Mr and Mrs T's credit file, relating to the missed payments during the time the complaint has been considered, should also be removed.

Mr and Mrs T should now consider whether they are willing to accept the offer and this decision represents the last stage in our process in their complaint against Firstplus Financial. I remind Mr and Mrs T that should they not accept this decision in the required time period Firstplus Financial will not be bound by it. This means that Firstplus Financial will not be obliged to settle the complaint in the way they have offered.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs T to accept or reject my decision before 22 April 2021.

Michael Fisher
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