

complaint

Mr N complains that Lloyds Bank plc hasn't accepted his proposals for the repayment of his loan.

background

Mr N took out a business loan in 2003. In 2008 his overdraft and the loan were consolidated into a fixed rate new loan over 10 years. Towards the end of 2008 Mr N wasn't able to make the repayments and Lloyds passed the debt to its recoveries team. In 2009 it obtained a court judgement for the debt of in excess of £44,000 and then, in 2010 a charging order over Mr N's home. As Mr N hasn't made any regular repayments and the debt has increased to around £67,000.

In 2015 Lloyds asked Mr N to provide it with repayment proposals and it instructed solicitors to seek a court order to sell the property if Mr N wasn't able to repay the debt. Mr N says that he has made a number of acceptable offers to repay the debt but Lloyds, and its solicitors, rejected these. He considers that the bank is determined to take him to court.

The adjudicator didn't recommend that the complaint should be upheld. She concluded that the bank had considered Mr N's repayment proposals but didn't find them acceptable. It was a matter of commercial judgement whether the bank accepted proposals and, if so, on what terms.

Mr N responded to say, in summary, that he had made an offer to repay the debt by monthly amounts and was trying to sell another property to reduce the amount of the loan. He thought the bank was being unreasonable by refusing the proposal and insisting on starting court proceedings.

my findings

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

Mr N says that Lloyds hasn't been in contact with him about the outstanding loan for a number of years and then, without any warning, it passed his account to its solicitors. He was asked to make a lump sum payment, which he isn't able to do. The solicitors have said they now intend to force the sale of his house. In response, Mr N has put forward a number of repayment proposals but none have been accepted.

contact

I have carefully reviewed the bank's records. I find that following the charging order in 2010, Lloyds asked Mr N for his repayment proposals but the amount he offered wasn't enough to cover the interest. Lloyds decided that it wouldn't take any further action at that time but would rely on the security of the property. Since then, I'm satisfied that Lloyds has written to Mr N regularly, and at least once a year, to remind him that it obtained both a judgement against him and a charging order over his interest in his property, which it was relying as security for the debt outstanding. It also wrote in early 2015 to tell him that it wasn't going to charge any interest for six months.

Mr N didn't respond to any of the letters to tell Lloyds how he intended to repay his debt so, in July 2015, the bank decided to instruct solicitors to ask for repayment and, if Mr N didn't make any acceptable proposals, to seek a court order to sell the property.

repayment proposals

I understand Mr N's frustration, in that he has put forward a number of offers of repayment, which he considers Lloyds should accept. I'm satisfied that Lloyds has carefully considered each one but has decided that none of them have been acceptable. It feels that Mr N is able to make repayment or he could refinance. It also has a charging order for the full amount that Mr N owes, and the equity position in his property has improved. I consider the amount Lloyds is prepared to accept in full repayment, or on a monthly basis, in respect of the debt owed, and its debt recovery procedures generally, are matters for its own commercial judgement.

As the debt has now been outstanding for over six years, I consider that Lloyds has given Mr N considerable time to make satisfactory repayment proposals. To try to avoid unnecessary costs, I would urge him to contact Lloyds' solicitors to try to agree a mutually acceptable repayment plan. But it is for Lloyds to decide what is acceptable and this service has no powers to make the bank accept an out of court offer. But I would remind the bank, and its agents, that it has an ongoing duty to treat someone in financial difficulty fairly.

For the avoidance of doubt my consideration of this matter is limited to Mr N's complaint about the bank's refusal to accept his repayment proposals. The issue which he has raised later – about the business loan repayment insurance – may be subject of a separate complaint, but it is not appropriate for me to comment on it here as Lloyds has not had the opportunity to respond.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 16 December 2016.

Karen Wharton
ombudsman