

complaint

Mr and Mrs D complain that Barclays Bank Plc trading as First Plus ("First Plus") recently increased their monthly payments to cover the extra interest owed due to a change to the payment date. They want to pay the original monthly sum and get compensation.

background

Mr and Mrs D borrowed money from First Plus, which was secured by a charge over their property ("secured loan"). They paid each month by direct debit. Mr and Mrs D called First Plus to change the date the direct debit left their bank account, and delayed it to later in the month. First Plus said they did this four times. A few months ago, Mr and Mrs D were told by First Plus their monthly payment would increase to cover the extra interest from the change to the payment date years earlier.

They complained to First Plus, who said as the four changes delayed the monthly payment, more interest was due. This meant the original monthly payments weren't enough. First Plus said its staff didn't tell customers about this when the payment dates were changed as they wouldn't know the precise sums to quote. First Plus explained that once the extra interest due reached more than one monthly payment, its system automatically recalculated the new monthly payment needed to pay the loan off on time. It agreed its staff hadn't dealt with the complaint well and paid £50 compensation for this failure.

Mr and Mrs D complained to us, and said the change shouldn't have been made to their direct debit. The adjudicator's view was that First Plus should've explained the effect of changing the payment date, even if it couldn't give precise numbers at the time. This would've allowed Mr and Mrs D to make an informed decision about whether or not to change. She noted First Plus had breached its own standard policy by letting Mr and Mrs D change the date by more than 15 days, and it should've recalculated the monthly payments after each change.

The adjudicator thought due to the history of unpaid direct debits, Mr and Mrs D would've made the changes anyway, but they'd pay less interest if the monthly payments had been recalculated at the time as they're paying interest on the total balance daily, including unpaid interest. But the adjudicator didn't think the change of the direct debit itself was unfair and unreasonable as the terms and conditions of the loan required payment by direct debit. She did think the monthly payment should be reduced to reflect the failures by First Plus.

The compensation suggested by the adjudicator was a further £150 compensation for the failure to tell them about the effect of changing the payment date and not following its policy of not delaying payment dates by more than 15 days. And she asked First Plus to calculate the correct interest if the recalculation of the monthly payments had been carried out after each change, and repay the rest of the interest owed due to the changes as a third party now owned the debt.

First Plus disagreed. It said it shouldn't have to refund the extra interest as it was Mr and Mrs D's choice to change the payment dates. It accepted the extra £150 was fair and reasonable as it hadn't explained to Mr and Mrs D about the extra interest.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. My role isn't to punish businesses for making mistakes, but to put consumers back into the position they should've been in.

It's important lenders to give appropriate information to customers so they can make an informed decision. Mr and Mrs D weren't told the impact of changing the payment date, so didn't know changing the date would cost them more money. I accept the terms and conditions of the loan tell Mr and Mrs D interest is charged daily on the balance of the loan, but it's fair and reasonable to expect lenders to explain the impact to consumers when they ask to change the payment date. Precise sums don't need to be given.

I think First Plus know the impact of changing the payment date can be significant because its own policy says it shouldn't delay payment dates by more than 15 days. But it didn't follow its policy in Mr and Mrs D's case, and it can't explain why.

I thought about whether it was fair and reasonable for Mr and Mrs D to pay the extra interest at all. I understand Mr D says if they'd known they would've found another way to pay on time. I think it's more likely than not this wouldn't have happened as hoped as some direct debits weren't paid and Mrs D's income fluctuated. I think they would've changed the dates, but agree Mr and Mrs D should've been given the information by First Plus.

I don't think it's fair and reasonable to charge interest on unpaid interest when the consumers don't know that they owe it and why. And I don't think it's fair and reasonable to fail to recalculate the monthly payments so consumers know exactly how much the change of payment date has cost them, particularly in this case where there were four changes. I think the adjudicator's suggestion is fair and reasonable, especially as a direct refund will help Mr and Mrs D pay the debt to the third party.

I think the extra £150 compensation for the trouble and upset caused by these failures, and the original £50 compensation for the handling of the complaint is a fair and reasonable reflection of the trouble and upset suffered by Mr and Mrs D.

my final decision

My final decision is that I uphold the complaint and Barclays Bank Plc should pay the following to Mr and Mrs D:

- £150 compensation for the trouble and upset caused by its failure to explain the impact of changing the payment date and not following its own policy;
- calculate the correct interest if the recalculation of the monthly payments had been carried out after each change, and refund the rest of the interest claimed due to the changes of payment dates to Mr and Mrs D. It should ensure they are only paying the correct interest due to the changes, and not any interest on the sum to be refunded.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs D to accept or reject my decision before 11 April 2016.

Claire Sharp
ombudsman