

complaint

Mr and Mrs F complain that their secured loan with Firstplus Financial Group Plc (Firstplus) was unsuitable to their circumstances because it extended beyond state retirement age.

background

Mr and Mrs F took out a secured loan for £60,000 over a term of 168 months with Firstplus through a broker in April 2005. The purpose of the loan was debt consolidation. In August 2005 they increased the loan to £75,000 to allow for home improvements and added payment protection insurance (PPI). At that time, it appears that the term was increased to 192 months. This meant that Mr F would be over 75 when the term ended.

When Mr and Mrs F found themselves in financial difficulties they complained to Firstplus saying that it shouldn't have given them a loan which extended beyond state retirement age. In response to their complaint, Firstplus accepted that the loan shouldn't have been approved as it wasn't its policy to lend beyond 75 years of age. To correct its error it offered to change the loan term to finish when Mr F would be 75 and reducing the capital balance by over £12,000.

Mr and Mrs F rejected this offer and brought their complaint to this service. They said that Firstplus' offer was an indication that it shouldn't have given them the loan in the first place and that Firstplus hadn't taken steps to ensure the loan would be affordable for them. They complain that in order to pay back the loan they will have to continue working beyond the retirement age they would like and that the loan is causing them financial hardship. They raised other issues relating to the PPI and the service they received from Firstplus but these are separate matters and I won't deal with them in this decision.

The adjudicator thought the complaint shouldn't succeed but Mr and Mrs F disagreed with her assessment and asked for the complaint to be reviewed by an ombudsman.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I can understand that Mr and Mrs F are finding it difficult to maintain payments on their debts at a time in their lives when they might not want to continue to work. Many lenders have a policy of not lending to people over a particular age because of the fact that many people see their incomes reduce as they move into retirement and the impact that may have on their ability to repay loans. However, different people have different financial and work arrangements and therefore lending over 65 or 75 isn't necessarily unsuitable.

Firstplus has reduced the term of the loan to end when Mr F is 75 and has agreed to reduce the capital by over £12,000 because the loan agreed in August 2005 was outside its lending policy at the time. In my view this is a fair offer. I believe that it is intended to correct an error in the application of Firstplus' lending policy but I don't consider it an indication that lending over a certain age is necessarily unfair or unreasonable.

In deciding whether or not Firstplus was irresponsible to lend to Mr and Mrs F beyond state retirement age, I need to consider all the facts in their particular case as they appeared when the loan was granted in 2005.

In 2005 Mr F was approaching state retirement age. The loan was requested originally for consolidation of existing debts and the additional amount was for home improvements. The application was made on a non-advised basis therefore Firstplus didn't make recommendations to Mr and Mrs F about the suitability of the loan. I have seen that Firstplus did make calculations of affordability based on the income and debts that Mr and Mrs F had told it about. Although checks on income and expenditure before lending have become more stringent in recent years, I find that Firstplus conducted reasonable affordability checks in line with what might have been expected in 2005.

In my view, in this context, Firstplus acted reasonably in offering Mr and Mrs F the loan they requested. The loan documentation was clear about the term of the loan and Mr and Mrs F should have been in a position to consider how that fitted with their plans for retirement at that time. As the loan was requested primarily for debt consolidation, it appears that Mr and Mrs F already had significant debts and it would be reasonable to assume that they requested the loan because it would reduce their overall outgoings although I don't have the details of those pre-existing debts.

I was very sorry to hear about Mr and Mrs F's financial and health situation and I understand that this is a very stressful time for them. Unfortunately, for the reasons given above, I am unable to uphold their complaint against Firstplus as I think it acted reasonably when it granted their loan in 2005. I know that this isn't the result that Mr and Mrs F were hoping for. I note that they are experiencing broader financial difficulties and that they both hope to retire in a relatively short time. I would recommend that they should contact one of the free debt counselling organisations mentioned to them by the adjudicator to get help with their financial planning. It seems that Mr and Mrs F are currently able to make the payments on their Firstplus loan and I trust that Firstplus will engage with them and treat them fairly and sympathetically if they have difficulties making payments in the future.

my final decision

It is my final decision that this complaint is not upheld.

Susie Alegre
ombudsman