

complaint

Mr M complained about the balance which Welcome Financial Services Limited told him was still outstanding on his secured loan.

background

In 2008, Mr M took a ten year secured loan for around £13,900. This was a transfer from a previous secured loan. Mr M signed a loan agreement which set out the variable interest rate of 23.3% and a total charge for credit of around £18,300. The agreement set out the current charges. It also explained that *"we charge interest on any interest and any other charges previously debited to your account which have not been paid and reasonable costs we incur as a result of your breach."*

Over the next few years, there were times when Mr M wasn't able to make his monthly payment in full. There were conversations between Mr M and Welcome about this.

On 30 April 2018, Mr M received his latest statement and rang Welcome about his balance. The statement had said his balance was around £5,700. Mr M told Welcome that he'd already paid over £30,000 on the loan, so he didn't think there should be much left to pay. He told Welcome he was having financial difficulties.

In its final response, Welcome agreed that Mr M had paid £30,068.83. But it pointed out that he'd missed 15 payments. The total of loan and interest had originally been £31,321.20, which was to have been paid off by March 2018. But because Mr M had missed payments, extra interest had built up, increasing the balance. And Welcome also said that Mr M had mostly been paying after the agreed payment date of 15th of each month. It explained that missed, late or partial payments mean a customer pays more interest over the course of a loan.

Mr M wasn't satisfied and complained to this service. He said he was furious to be told he owed over £5,000 because he couldn't afford to continue paying. He said he had small children and felt Welcome's practice was unlawful. He said he thought repayments needed to cease.

The adjudicator didn't uphold Mr M's complaint. He looked at Mr M's account history, and explained that as Mr M hadn't always met the full amount of monthly payments, interest had been added to the outstanding debt. This had effectively extended the term of the loan. The adjudicator also noted that Mr M's account was now being managed by a different organisation, and he suggested to Mr M that he should continue to speak to that organisation about making payments.

Mr M said he felt this was an unfair outcome and asked for an ombudsman 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. This includes looking at the history of Mr M's payments, and Welcome's notes about contact with Mr M over the course of his loan.

I recognise Mr M was annoyed to find that he still owed around £5,000, because the agreement he signed set out total payments of around £31,000, and by summer 2018 he'd paid just over £30,000.

But the reason is that Mr M hadn't always been able to make the full payments which were due, when they were due. The agreement Mr M signed wasn't just that he'd pay back around £31,000 in total - but that he'd make monthly payments on a set payment date each month. When Mr M wasn't able to do this, interest was added. Mr M's signed agreement had set out that Welcome could charge interest and fees. So Welcome was entitled to the interest and fees it charged Mr M.

This service doesn't provide a detailed accounting service, so I can't say whether or not Mr M's outstanding balance is exactly correct. But looking at the history of Mr M's missed and reduced payments, the outstanding balance is around what I'd expect from that account history.

So I find that Welcome didn't act unfairly in saying Mr M still owed around £5,000, because Mr M had signed up to pay back the money in set amounts at set times. He wasn't able to do so, but that doesn't mean Welcome had to write off what it had charged Mr M in line with the terms of the loan.

I can see that at various points, Mr M reported financial difficulties to Welcome. Lenders are required to act positively and sympathetically with customers who are in financial difficulties. So I've looked at what was discussed over the years, to see whether Welcome met this requirement.

I can see that Welcome talked about the account in some detail with Mr M. This was fair because Mr M was in arrears. It also pointed out the possible impact of missing payments or paying less than the amounts owed. It kept him informed by sending statements to him, so Mr M could see that the balance was increasing. And it gave him contact details for advice services and debt charities. I also note that the lender didn't request immediate payment of the outstanding balance at the end of the loan term in early 2018. So I find that Welcome didn't act unfairly towards Mr M.

my final decision

My final decision is that I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 August 2019.

Belinda Knight
ombudsman