

complaint

Mr H complains that NRAM plc sold him a loan in 2006 without checking that he could afford it.

background

In 2006 Mr H borrowed a five-figure sum of money from NRAM. He made his contractual repayments for two and a half years, but then struggled to repay it. In 2015 court action was taken against him for debt. Mr H complained to NRAM that it had mis-sold the loan. NRAM did not agree, so Mr H complained to our service. The court action was put on hold to allow him to do this, and NRAM agreed that we could consider this complaint even though it was about events that occurred more than six years ago.

Our adjudicator did not uphold this complaint. There was no longer any information available about what affordability checks NRAM had done in 2006 because it was ten years ago, but there was no reason to think that NRAM had not done proper checks. The loan had been to consolidate Mr H's existing debts, so it hadn't changed Mr H's level of indebtedness. Mr H had kept up his payments until mid-2008, so the loan had not been unaffordable when it was sold. And once Mr H had started to struggle, NRAM had responded positively and sympathetically. It had agreed to receive reduced payments. But Mr H had stopped making payments after June 2012, and the debt had been sold in October 2013. So the adjudicator was unable to say that NRAM had done anything wrong. She also said that it wasn't clear what else Mr H could have done if he hadn't consolidated his debts.

Mr H asked for an ombudsman's decision. He said he had been seriously ill for many years and was unable to work, and NRAM had taken advantage of him. And he said that NRAM was hiding behind the fact that the loan had been sold more than six years ago. So this complaint has been passed to me to consider.

my findings

I was sorry to read about Mr H's serious and long-standing health problems.

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I don't uphold it. I will explain why.

Ordinarily, our service can't look into complaints if they've been made more than six years after the events being complained about. That's because the rules under which we operate impose time limits on when a complaint can be brought. But in this case, NRAM has voluntarily allowed us to consider a late complaint. It didn't have to do that. So it's not hiding behind the age of the loan – it's actually trying to be as helpful and open as it can be. But it was entitled to delete its records once they were six years old. It's not obliged to keep records indefinitely, or for the life of the loan. And so in the absence of a record of what affordability checks were done when the loan was sold, it's hard to say that proper checks weren't done at the time.

I can't infer that proper checks weren't done just because Mr H became unable to make his repayments. He made repayments for two and a half years before he began to struggle. So that is evidence which suggests the opposite conclusion – that the loan was affordable at the time it was sold.

The loan was to consolidate Mr H's existing debts, with which he had been struggling. But it also included a payment protection insurance ("PPI") policy, which I understand he hadn't had before. This did include the overall cost to Mr H, because over the life of the loan – intended to be ten years – he would have to repay more than before. But I infer that the monthly repayments must have been lower than what he had been repaying previously. I infer that because there would be no point in him consolidating his debts otherwise. So the consolidated loan was still more affordable than his original debts on a month by month basis. The fact that he was struggling to repay the old debts, but was able to repay the consolidating loan for a significant time, suggests that the new loan was suitable for him. It's not clear what he would or could have done instead if he hadn't taken it.

(Mr H later made a claim on his PPI policy, which was declined. I understand that he is dissatisfied about that and he told his solicitors that the PPI policy was not suitable for him. But that is not part of this complaint, and so I can't consider it here.)

When Mr H began to struggle to repay the loan in 2008, NRAM agreed a repayment plan, which he kept to for four years. After that, over a year went by before NRAM sold the loan. I don't think it acted unreasonably, or needed to do anything differently.

my final decision

So my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 3 March 2017.

Richard Wood
ombudsman