

complaint

Mr H complains that Lloyds Bank PLC gave him incorrect information about his loan which has resulted in a default being recorded on his credit file.

background

Mr H took out an unsecured personal loan with Lloyds in November 2015 for £23,694.89. It was to be repaid over 60 months with repayments of £434.58. In July 2017, Mr H called Lloyds to explain he needed help. He said he could no longer afford the monthly repayments because his income had reduced.

Lloyds said they couldn't agree a repayment plan because Mr H had more outgoings than income. But they told him they could place him on a 'no offer arrangement' where the loan is frozen for six months. During this time Mr H could just pay what he could afford and no interest would be charged. They said his situation would then be reviewed again at the end of the six months. Mr H agreed to this.

The information Lloyds gave in that call was incorrect. By agreeing to the arrangement, Lloyds had actually passed the account to their recoveries team. They then started the default process as soon as Mr H had missed a payment. A default was recorded in October 2017.

Mr H asked for the default to be removed because the process hadn't been properly explained to him. He was under the impression a new arrangement could be made at a later date when his financial situation had improved, but Lloyds were unwilling to do this. Lloyds agreed they had given Mr H wrong information in the call and offered him £100 compensation for the distress caused. But they weren't willing to remove the default because Mr H wasn't in a position to repay the arrears and normal contractual repayments.

Our investigator recommended the complaint be upheld in part. She didn't think the offer of compensation sufficiently reflected the distress caused to Mr H. So she recommended Lloyds pay a total of £150 compensation. But she didn't think the default should be removed, for broadly the reasons Lloyds had given.

Lloyds agreed but Mr H didn't, so the complaint has been passed to me for a final 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.

It's not in dispute that Lloyds gave Mr H incorrect information during the call in July 2017. So what's left for me to decide is what impact this has had on him, and what – if anything – needs to be done to put things right.

When Mr H called Lloyds in July 2017 he said his outgoings were greater than his income. This in effect meant he couldn't afford to pay anything towards his loan agreement with Lloyds. So even if Lloyds had given Mr H correct information during the call, I don't think he'd be in any materially different position.

I say this because Lloyds weren't prepared to agree any sort of formal repayment plan (because Mr H couldn't afford one) – nor were they obliged to agree to one. This means Lloyds would have always started the default process once Mr H was around three months in arrears on his loan. And as his situation didn't improve, a default would always have been recorded. So whilst I appreciate Mr H was and is going through a difficult time financially, Lloyds' actions haven't disadvantaged him.

Mr H said that he was actively looking for better paid employment and was hopeful his situation would be better in six months. But he's told us he's still not in a position to meet the contractual monthly repayments. And on top of this he'd need to start repaying the arrears that have built up over the last year. As he can't afford to do that, Lloyds would have started the default process at the point any payment break had ended. So if Lloyds had given him a payment break, this would have meant the default would have been recorded on his credit file at least six months later – and therefore impacted him for a longer period of time.

I don't think recording a default against this loan is unfair. Mr H hasn't paid anything towards the loan since July 2017, so he's broken the terms of the original loan agreement (even if Lloyds had agreed a six month break). He's also still unable to meet the contractual monthly repayments or make up the arrears over a year after he first missed a payment. For all these reasons, I don't think it's factually inaccurate for Lloyds to record on Mr H's credit file that the loan is in default.

Lloyds has accepted it gave wrong information to Mr H and this did set an unfair expectation that he'd have six months breathing space with the loan. But I agree with the investigator that £150 compensation for this is fair in the circumstances. I don't think the impact of this incorrect information was significant for the reasons I've explained above. But it will have been upsetting to discover what had happened, and that upset could have been avoided had Lloyds done things correctly at the outset.

my final decision

For the reasons given above, I uphold this complaint in part and direct Lloyds Bank PLC to:

- Pay Mr H £150 compensation for the trouble and upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 17 September 2018.

Tero Hiltunen
ombudsman