debt trouble is made worse by irresponsible lending

Mrs L phoned us, saying she didn't know how to begin to sort things out. She'd initially borrowed £300 from a payday lender, but was now in thousands of pounds of debt.

We could see from Mrs L's bank statements that during the term of her £300 loan, she'd taken out four more loans with other payday lenders, and was still significantly overdrawn. And on the same day as paying off the £300 loan, she'd borrowed a further £500 from the original lender.

The payday lender told us they'd carried out an affordability assessment. But there was no record that they'd taken details of Mrs L's expenditure at the time. We thought the lender should have done more, especially given Mrs L was applying to borrow around a third of her monthly income. If they'd carried out more thorough checks, it would have been clear that she was heavily dependent on payday lending to get by.

We decided the payday lender shouldn't have given Mrs L the second loan. So we told them to refund all the interest and charges they'd applied to it, adding interest – and to work out a fair and affordable way for Mrs L to pay back what she owed.

We also told the lender to make sure there was no adverse information on Mrs L's credit file relating to the loan they shouldn't have given her. And we helped Mrs L get in touch with a free debt charity to help her take control of her wider debt.

vulnerability

The challenges presented by vulnerability continued to receive considerable attention this year. There's a growing understanding that vulnerability isn't just about long-term illness or old age. A sudden change in circumstances – for example, bereavement or the breakdown of a relationship – could have serious consequences for someone's financial situation and their wider wellbeing. According to the National Audit Office (NAO), eight million consumers are over-indebted. And this has consequences that cut across different regulated sectors – with financial difficulties leading to trouble with energy, water and communications bills.

This underlines the importance of organisations like ours continuing to work together to build a picture of how vulnerability arises and how to address it.

June 2016
continued

We share experiences with consumer advisers at our workshop in Glasgow, and with small businesses in Edinburgh

We discuss debt-management complaints at the Debt Managers Standards Association's annual conference

We meet people helping to protect consumers at the Chartered Trading Standards Institute conference in Harrogate

We attend the FCA's roundtable on third party access, held as part of its work on the ageing population

17.5%

of non-PPI complaints involved consumer credit

for more information see *data in more depth* (table 5) p.49

complaints about payday lending rose by

227%

complaints about instalment loans rose by

318%

for more information see *data in more depth* (table 9) p.51

This year we contributed to the NAO's research and the FCA's ongoing work around vulnerability and ran a conference for mortgage companies about lending and financial difficulties. We shared our experience of helping people in vulnerable circumstances with other ombudsmen and complaint-handling schemes in the UK and Ireland. And we continued to build partnerships with consumer groups and charities, who've helped us understand how we can best support people in vulnerable circumstances to use our service.

In January 2017, Bank of England figures showed that unsecured debt had reached its highest level since 2008. While complaints involving credit rose in general this year, we received three times the number of complaints about payday loans. Although the numbers were much smaller, we also saw significantly more complaints about instalment loans, which are typically repaid over a longer term. And we heard from growing numbers of people having trouble with guarantor loans: mostly those who'd backed up someone else's debt, and were now being pursued for it.

This year we continued to engage with the short-term lending sector – including talking to trade associations and running a workshop for payday lenders to help prevent complaints and encourage fairness when problems arise.

Just over a year after the launch of pension freedoms, we use *ombudsman news* to highlight the issues involved in the small number of complaints we've seen about this issue

52% of the UK electorate vote to leave the European Union

bank doesn't join the dots to help customer with mental health issues

Ms T told us that her brother, Mr T, had been taken into care because of serious mental illness. And she'd discovered he'd fallen into serious arrears on a £40,000 secured loan.

Ms T explained that she'd seen her brother's application form and believed there were serious mistakes. She'd complained to his bank that they shouldn't have lent him the money. But the bank had told her they'd had no reason to doubt the information Mr T had provided – and had fast-tracked his application because of the low "loan-to-value" ratio.

We found the bank had missed a number of opportunities to make sure they were doing the right thing by Mr T. He'd told them he had a "guaranteed" income of £12,000 a year from a pension, but the bank hadn't asked for evidence. Mr T had also said he didn't pay council tax, which the bank hadn't questioned. And the driving licence he'd shown had expired, and had only been valid for 12 months in the first place.

In our view, all these things should have alerted the bank to the fact they needed more information. And if they'd asked for even some of it, we thought they'd have realised the loan might be unaffordable for Mr T. The bank agreed that fast-tracking his application hadn't been the right option and said they'd write off the outstanding debt.

all lenders have a responsibility to treat you fairly... and if they don't, that's where we come in

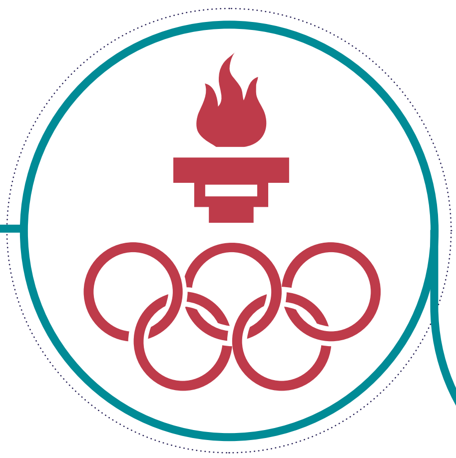
Juliana Francis | ombudsman leader

Trouble with money can have far-reaching effects – causing, as well as exacerbating, vulnerability. Following years of research into debt and mental health, the link between the two is now well established – and their complex relationship continued to be reflected in the complaints we saw this year.

In September 2016 we used our regular newsletter, *ombudsman news*, to bring together expert perspectives on preventing problems and breaking down barriers to getting help. And we highlighted examples of how people's sense of stigma, combined with businesses' errors, may mean mental health issues don't come to light until people are experiencing very serious financial difficulties.

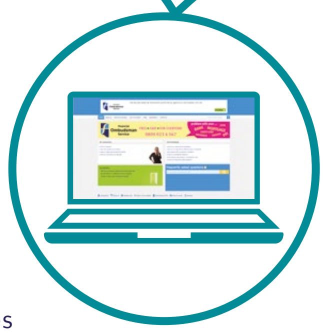
for more information see *ombudsman news* 136: www.financial-ombudsman.org.uk/publications/ombudsman-news/136/136-the-heart-of-the-matter.html

July 2016



The Rio Olympics opens in Brazil, in the midst of concern about the Zika virus

We meet visitors to the *50+ Show* at London Olympia



Following the *Financial Advice Market Review*, we launch a webpage bringing all our online resources for businesses together in one place

keeping a handle on high-cost credit

Juliana Francis
ombudsman leader

To some extent, we've always been able to help people who've borrowed money. And it was ten years ago now that we got powers to look into complaints about a wider range of problems: from hire purchase and catalogue shopping, to credit broking and debt collecting.

Since then – with a credit crunch in between and all the repercussions of that – the lending sector has continued to evolve. And this year, overall, we've seen a rise in many types of complaints about credit and debt. Take payday loans. By the end of March 2017, we'd seen over 10,000 of these complaints, compared with just over 3,000 in the same period last year.

We hear from people from all sorts of backgrounds who've got into serious debt: students and teachers, nurses and business analysts. People that others might not think of as vulnerable – and who tell us how embarrassed they feel about the position they're in. All lenders have a responsibility to treat you fairly once they're aware you can't repay your loan as originally intended. And if they don't, that's where we come in. No one has to struggle alone – and asking for help is an essential first step in getting back on track.

No two situations are the same. But many people who contact us have taken out more than one loan: in some cases, up to 20, often taken out in quick succession. And in around six in ten cases this year, we decided the lender in question hadn't acted fairly – for example, because they didn't do enough to make sure that their customer would be able to repay what they owed. We've continued to talk to payday lenders this year to help them to give more customers fair answers the first time around.

That said, the FCA's tougher rules for high-cost short-term credit are having an impact. Most of the payday loan complaints we're now getting involve loans that were taken out some time ago. But we've always got to be on top of what's happening right now. As the FCA maintains its focus on high-cost credit into the coming months, we'll continue to share what we're seeing.

job-seeking student ends up with fraud on her records

Miss K, a college student, contacted us after her bank closed her account. She said she'd suddenly found she couldn't use her debit card, mobile payments or online banking. She'd also tried unsuccessfully to open accounts with several other banks.

When we asked Miss K's bank for more information, they told us that her account had regularly received large amounts of money, which had been moved to different accounts almost immediately. They suspected she'd been involved in fraud, and had put a Cifas marker on her records.

We asked Miss K more about the transactions. She told us she'd recently taken a job that she'd seen advertised on a classified ads website. As PA to a management consultant, she'd been asked to receive money into her bank account and send it on to her boss's clients.

We looked carefully at email exchanges between Miss K and her boss. We thought it was very likely that her employer had been a fraudster – but there was nothing to suggest Miss K had, or should have, been aware of this. In these circumstances, we told the bank to remove the Cifas marker from her records.

It's also remained apparent that people from all walks of life can be vulnerable to fraudsters looking to con them out of their money. A significant proportion of the complaints we receive about bank accounts involve alleged fraud of some kind. But when people first contact us, it isn't always obvious that the problem they're having involves fraud.

Regardless of how it happens, the ordeal of being scammed can be distressing and even life-changing. In 2015 we shared our experience of complaints involving phone fraud, which it seemed disproportionately affected older people, who'd lost significant amounts of money. And in 2016/2017 we used *ombudsman news* to highlight how fraud continues to evolve, and the complaints we see as a result.

for more information see *ombudsman news* 135: www.financial-ombudsman.org.uk/publications/ombudsman-news/135/135-financial-fraud-and-scams.html

July 2016
continued

Chief ombudsman Caroline Wayman signs the Women in Finance Charter, aimed at improving diversity in financial services

We meet consumer advisers in Hertfordshire to explain our role

We meet small businesses at our workshop in Canterbury

we hear every day from people who've fallen victim to financial crime – and scams are evolving rapidly

Michael Ingram | ombudsman leader

We're a guest on the Pete Price Show on Liverpool's Radio City, chatting about how to avoid trouble with travel insurance

We talk to MPs and their caseworkers at a drop-in in Westminster, explaining how we can help their constituents

ombudsman news highlights how we can help people with problems that arise when they're away – from missed flights to leaky pipes

33%

of complaints from under 25s were about bank accounts

for more information see *data in more depth* (table 35) p.65

This year we continued to hear from young people who'd had their accounts closed without warning – and later discovered they'd got a fraud marker against their name. Together with Cifas, the national fraud prevention database, we highlighted how under 30s may be particularly vulnerable to fraudsters looking for people who'll let them launder money through their accounts in return for a payment.

Letting someone access your account might seem like easy money. But in acting as "money mules", young people risk a range of serious consequences for years to come: from trouble getting student loans and mortgages, to a criminal conviction and jail. We continued to help prevent these types of problems through our wider engagement – for example, inviting student money advisers to our own free workshops and visiting Newcastle University.

August 2016


ombudsman news

fighting fraud

We use *ombudsman news* to shine a light on scams and fraud – bringing together perspectives from the Money Advice Service, Financial Fraud Action UK, Citizens Advice and the FCA

Following large-scale train strikes, we begin to hear commuters who've tried to claim back the cost of their season tickets from their credit card providers

The NAO launches a study into vulnerable consumers in regulated industries – and we share our insight into the complaints we receive from people in vulnerable circumstances

keeping pace with fraudsters

Michael Ingram
ombudsman leader

Managing your money can be complicated enough without the risk of financial crime. Unfortunately, we hear every day from people who've fallen victim – and scams are evolving rapidly. We still see people signing up for fake investment opportunities that have come through their letterbox. Others have had "number spoofing" calls on their mobiles, been ripped off on online auction sites, or found their business banking threatened by malware. On the face of it, complaints involving the same scam may seem similar. But we'll need to consider the individual circumstances very carefully to reach a fair answer in each one.

In my experience, scammers are successful because they make people believe something's gone wrong – and that they can do something about it to get control back. For example, they might say there's a security problem with your bank account – and persuade you to send money to a "safe" account, which is anything but safe. Or they might say they're from an internet provider and need to fix your computer remotely – and in doing so, access your online banking.

We've also heard from people who've been taken in by fraudsters pretending to be someone they're actually ***expecting*** to pay. For example, they might receive an email that looks like it's from, say, the solicitor they're using to buy a house. The email gives details of a bank account to which payment should be made – which, of course, are the fraudster's.

Although it may be easy to see what went wrong afterwards, it's not always so easy at the time. The people who contact us are often very embarrassed about what's happened: particularly as they may have inadvertently done something that's helped the scammer. But the sooner a bank knows, the sooner they can act – and the more likely it is they can limit the damage.