



Financial Services Ombudsman Scheme

Summary of the determination dated 13th August 2017 in respect of a complaint made to the Scheme that a consolidation loan had been mis-sold

The Complaint

In 2005 the Complainants took out two loans with the Supplier, one of which was secured against their property as a second mortgage. Both loans, which totalled £33,155, were taken out to be repaid over a term of 120 months and were due to be repaid by the beginning of 2016. The combined monthly repayment was £559.96.

The principle wage earner was made redundant in 2010 and the loans fell into arrears.

The Supplier contacted the Complainants in 2012 to discuss their accounts and a consolidation loan was suggested by the Supplier. This new loan agreement, described as a 'debt consolidation loan', was for a total of £53,886.32 (including fees of £175 and interest of £20,274.96) of which £33,436.36 was applied against the balance owing on the original two loans. The new loan was payable over 84 months, with increased monthly repayments of £641.50. The Supplier also kept the original security over the property.

The Complainants state that as they could not afford the current repayment of £559.96 they certainly could not afford the increased amount, but the Supplier's representative threatened they would lose their home if they did not clear the arrears on the accounts, which totalled £5,500, or agree to the consolidation. As they were not able to repay the arrears, the Complainants reluctantly agreed to the new loan.

In their complaint made to the Scheme the Complainants requested that they be put back in to the position they would have been had the consolidation loan not taken place.

Summary of Suppliers response

Whilst the Supplier denied threatening the Complainants, they accepted that their officer had not acted in accordance with their normal high standards and practices and offered their apologies to the Complainants. They made an offer, without accepting liability, to write off £10,000 of the current loan balance of £18,768.17 in full and final settlement of the complaint. They also stated that the new loan had been agreed after completion of a full income and expenditure and repayments had been maintained, suggesting that the loan was affordable.

Findings

The adjudicator found that the Complainants were mis-advised and mis-sold the Suppliers loan in 2012. The Complainants did not benefit from the consolidation which resulted in them owing an additional £20,449.96 with increased monthly repayments and an extended term.

Award

The complaint was upheld and the following award made to the Complainants:

The Supplier was ordered to write off the total balance outstanding of £18,768.17 and pay the sum of £1,681.79 to the Complainants.

The Supplier was also ordered to procure and register or record at their own expense the provision of an executed Receipt to Cancel in respect of the secured loan upon the Complainant's property before 31st October 2017.