DRN-5171874

The complaint

Mr and Mrs O complain that they were irresponsibly lent a second charge mortgage (secured loan) because it was unaffordable for them. The loan is now with Elderbridge Limited.

What happened

In 2008 Mr and Mrs O approached a lender I'll call B. They say that initially Mr O wanted a personal loan in his sole name for around £7,500. Mr and Mrs O say that B said this was unaffordable. But instead it offered a secured loan, in both their names, for around £57,000 (including fees and insurance). This loan was used to pay off all their other debts. The loan was transferred to Elderbridge in 2016.

Mr and Mrs O complain that the loan was irresponsibly lent. They say it makes no sense that they were told they couldn't afford £7,500 and would have to borrow £57,000 instead. They said they were desperate, so they agreed to it. They don't believe proper affordability checks were carried out. The loan remains outstanding – the term runs until 2033, which is beyond Mr O's retirement age. No thought was given to how they will afford it once Mr O retires in around 2031. They say that the impact of trying to keep up with the repayments in the years since 2007 has been substantial and they have worried about losing their home.

Our investigator didn't think the complaint should be upheld, so Mr and Mrs O asked for it to be reviewed by an ombudsman.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Elderbridge initially said that the complaint shouldn't be considered, because the loan was taken out more than six years ago. But the loan is ongoing, so I can consider whether the lending decision resulted in an unfair relationship which, as the current lender, Elderbridge would be responsible for putting right. However, I'm not persuaded that the complaint should be upheld.

There's limited information available about the lending decision at the time. I haven't seen an application form, or detailed information about Mr and Mrs O's circumstances. That's unsurprising given the passage of time since the loan was taken out.

However, there is a record of B's underwriting decision. It recorded that Mr and Mrs O's income was around £2,200 per month. It obtained Mr O's self-employment accounts as proof of income. Their first charge mortgage payment was £587, and after consolidating other debts they would have around £120 per month left in other debt repayments. This left around £1,050 disposable income to cover their other outgoings after the mortgage, other debts and this loan were paid. B concluded on that basis that the loan was affordable for them.

Mr and Mrs O disagree. They said that they had two children at the time, and Mrs O was pregnant with their third. They said that this wouldn’t have been enough to cover their expenses. But, because of the passage of time, they don’t have other evidence such as bank statements either.

The limited evidence means that I have to do the best I can with what’s available. I can see that B did consider Mr and Mrs O’s income and committed expenditure, as I’d expect, and that it concluded that the loan was affordable for them. I’ve also looked at the history of the loan, and I can see that Mr and Mrs O have made every monthly payment on time and in full (apart from one payment that was a few days late in January 2009). There’s no record of them ever having asked B or Elderbridge for support or forbearance, or ever having told either lender they were struggling with the repayments.

The only mention I can see in the surviving documents is a note of a conversation on 15 January 2008, where B recorded that it had “confirmed adequate provision at retirement”. There’s no more detail than that recorded, so I don’t know how Mr and Mrs O said that the loan would be paid once Mr O retired, but it does seem that this was discussed at the time.

I can see that around £49,000 of unsecured debts were consolidated – including several credit cards and loans. Although the surviving evidence only records the balances of these debts, not the monthly payments, it seems likely that consolidating these debts into a longer term secured loan would have significantly reduced Mr and Mrs O’s outgoings.

Based on the limited evidence available, therefore, I’m not persuaded that this loan was irresponsibly lent. B considered Mr and Mrs O’s income and expenditure, noting that it left reasonable disposable income once their debts were consolidated. The loan would have significantly reduced their outgoings. There was some consideration of affordability into retirement. And there’s no evidence that Mr and Mrs O have been unable to manage the monthly repayments at any time in the more than sixteen years since they took it out. I’m not therefore persuaded that their continuing relationship with their current lender, Elderbridge, is unfair because of anything relating to the lending decision.

My final decision

My final decision is that I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr O and Mrs O to accept or reject my decision before 13 January 2025.

Simon Pugh
Ombudsman