Financial Ombudsman Service

complaint

Mr and Mrs H have complained that a secured loan taken out in 2008 with Ge Money Secured Loans Limited was unsuitable and unaffordable. They are represented in the complaint by a relative, Mr C.

background and provisional decision

In 2008 Mr and Mrs H (then aged 58 and 55) took out a secured loan with Ge Money. The loan was arranged through a broker. They borrowed £43,500 over 25 years. The loan was secured as a second charge against their property. The interest rate was variable. The initial monthly payment was £530.80.

In 2014 Mr C complained on their behalf that the loan was unsuitable. Mr C says that Mr and Mrs H hadn't been asked to provide any pension forecasts. He also says that arranging a loan over 25 years was unsuitable, as Mr H would be 83 at the end of the term.

Mr C also says that the loan is unaffordable. He also says that Ge Money should have taken into consideration that Mr and Mrs H wouldn't have enough income to pay it when they retire and so should never have approved it.

Ge Money didn't uphold the complaint. It explained that the loan was sold by brokers and so the complaint should be directed to them. But the complaint about irresponsible lending was referred to us and on 6 May 2015 I issued a provisional decision. I made the following findings:

> It was the responsibility of the broker, not Ge Money, to explain to Mr and Mrs H the implications of converting short-term unsecured debt into long-term secured debt. Ge Money gave no advice to Mr and Mrs H in relation to the arrangement of this loan.
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> This means I won't be commenting on whether or not the advice and arrangement of the loan was suitable – because Ge Money didn't arrange it. I am considering only whether the decision to lend was appropriate in the circumstances.
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> The purpose of the loan was to consolidate existing debts. So Mr and Mrs H didn't change their net position in terms of how much they owed their creditors – they just rearranged the same amount of debt with a new lender and for a lower repayment.
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> Mr and Mrs H both work for the same employer. The loan application shows their combined income as being £47,000.
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> Mr and Mrs H's mortgage runs until 2017, and so will be repaid in the two years. The monthly repayment in 2008 was £700 per month. As interest rates have fallen since 2008, it may well be that Mr and Mrs H's mortgage interest rate (and consequently their monthly repayment) has also been reduced.
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> Before the loan was taken out, Mr and Mrs H had a total commitment to their unsecured creditors of about £1,800 per month, plus their mortgage of £700 – a total of £2,500. Mr and Mrs H intended to pay off a proportion of their unsecured debts from the new loan.

After the loan was taken out, Mr and Mrs H's total repayments to all creditors was approx. £1,800 per month. £575 of that was for short-term unsecured credit.

So, on the face of it, the loan improved Mr and Mrs H's financial position. But the complaint is about Ge Money's failure to take into consideration the long term implications of this loan running into Mr and Mrs H's retirement.

Mr and Mrs H's position after they took out the loan in 2008 was as follows:

Mortgage	£700 per month	(to be paid off in May 2017)
Ge Money loan	£530 per month	(to be paid off 2033)
Unsecured loan	£395 per month	(97 months from 2006, now paid off)
Other credit	£180 per month	(credit/store cards, short-term credit)

In 2008 Ge Money knew the unsecured loan would be repaid before retirement. Ge Money could reasonably have concluded that the other unsecured creditors should also have been repaid. I'm satisfied Ge Money took into account that Mr and Mrs H both have pension provision through their employers.

Mr and Mrs H have worked for their employer for a number of years, and are members of its pension scheme. This allows them to work to the age of 75. Mr and Mrs H can also take a lump sum on retirement.

Mr H is now reaching state pension age. Mrs H will qualify for her state pension next year. Both are continuing to work. So in addition to their salaries, Mr H will shortly also have his state pension. He also receives a modest pension of about £125 per month from the Armed Forces.

Given the first mortgage will be repaid in 2017 and the short-term nature of the remaining unsecured credit commitments, I'm not persuaded that the decision to lend was incorrect. It seems, on the face of the information available in 2008, lending into retirement was affordable.

I'm aware Mr and Mrs H are now in financial difficulty. I see from Ge Money's notes that when Mr H spoke to Ge Money in 2009 about missed payments he explained that it was when Mrs H fell ill and had to go onto half pay that their financial difficulties began. But Mr H also explained that he had lots of overtime and so was able to make up missed repayments.

What I have to consider is whether, on the information provided to Ge Money in 2008, it was reasonable for the loan to be granted. I'm satisfied that it was. It couldn't have been foreseen by anyone that Mrs H would fall ill. Clearly this has had an impact on the family finances. I have every sympathy for Mr and Mrs H. I've seen their current income and outgoings. Apart from a high payment for TV and phone, their expenditure seems to be modest.

But this doesn't persuade me that the loan was unsuitable when it was taken out, or that Ge Money shouldn't have approved the application.

I said in my provisional decision that I didn't intend to uphold the complaint.

Ge Money accepted my provisional decision. Mr C responded to say that he considered the loan to be unaffordable from the outset. He didn't consider affordability had been considered by Ge Money. He said that pension forecasts hadn't been obtained and questioned how Ge Money knew Mr and Mrs H were paying into a pension.

my findings

I've reconsidered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I don't intend to depart from my provisional decision.

In answer to Mr C's question about pension contributions, the payslips Mr and Mrs H provided in support of their application show that they were both making pension contributions. So I'm satisfied that Mr and Mrs H told Ge Money about this.

Overall, I'm satisfied the secured loan is affordable into retirement and was affordable at the outset. The loan substantially reduced Mr and Mrs H's monthly outgoings. They took on no further borrowing at the time and so their net position remained the same. Their unsecured loan has now been repaid, their first mortgage will be repaid in 2017 and Mr and Mrs H's other credit is short-term unsecured debt. I don't know if Mr and Mrs H have taken on any further debt since they took out the loan in 2008, but if they have, this isn't something for which Ge Money can be held responsible.

In all the circumstances, I'm satisfied that the lending wasn't unaffordable or irresponsible. If Mr and Mrs H are experiencing financial difficulty, they may want to take advice from a debt advisory service such as StepChange, Citizens Advice or the Money Advice Service. We can provide contact details for those organisations, if they'd like us to.

my final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs H to accept or reject my decision before 10 July 2015.

Jan O'Leary
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