

complaint

Mrs K complains that The Royal Bank of Scotland plc ("RBS") mis-sold her a loan.

background

Mrs K is unhappy that the interest rate she was given for her loan was higher than she was initially offered – so she has to pay back more money over a longer period than she originally wanted to. She also says she was told by RBS that she would be able to get a lower interest rate in a few months' time, but this hasn't happened. And it's become clear that to achieve this would involve further expense that Mrs K doesn't want to take on.

When she complained, RBS said the loan agreement Mrs K signed clearly states the terms of the loan – including the interest rate, the total amount payable, the size and timing of repayments and the total charge for credit. So she was aware of the loan details – and signed to accept those terms. RBS says that the representative she spoke to remembers processing Mrs K's loan application and recalls that she did inform Mrs K it might be possible to refinance her loan on to a lower rate of interest – subject to her meeting the criteria.

RBS says it hasn't been able to establish how that was explained to Mrs K, and because her understanding of what was discussed is different, it accepts that it provided a poor level of service to her. So it upheld this aspect of her complaint and paid her £100 compensation. But RBS doesn't agree that it mis-sold her a loan.

Our adjudicator didn't uphold the complaint. His view was that the loan agreement makes the repayment terms clear and Mrs K chose to sign up to it. He didn't feel there was enough evidence to support what Mrs K had said about RBS having promised her that the interest rate would reduce in a few months. So he couldn't say that RBS had acted unfairly or unreasonably. And he felt the £100 payment RBS had already made was fair to cover any misunderstanding. Mrs K disagrees, so the complaint has been referred to me.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I've taken into account everything that Mrs K and the bank have told me about what was discussed during the meeting when Mrs K arranged her loan. The bank's representative doesn't remember making any unconditional promises that the interest rate would be reduced after a few months. Her recollection is that Mrs K was happy to take the loan when she signed the loan documents.

I don't know exactly what was discussed at the bank when Mrs K agreed to take out the loan. I have no reason to doubt that Mrs K is certain of her facts, but I must look impartially at all the evidence. I can't uphold her complaint just on the basis of what Mrs K says. I must give equal consideration to the information provided by RBS. And where there is a dispute about what took place I consider what is most likely to have happened in the light of the evidence and wider circumstances.

There isn't anything in the loan agreement Mrs K signed that guarantees a reduction in the interest rate. And whilst the representative Mrs K spoke to does remember discussing the possibility of refinancing to get a lower interest rate, she wouldn't have been in a position to say with any certainty that would definitely happen. That's because borrowers have to meet banks' lending criteria and neither she nor Mrs K could have known what the position would

be in a few months' time. I think, on balance, that it's more likely that the adviser may have mentioned that Mrs K might be able to apply to restructure her loan to get a better interest rate – and that Mrs K misunderstood what this meant.

It's unfortunate that the interest rate Mrs K hoped to get wasn't available to her at the time she completed her loan application. But our adjudicator has explained it's up to the bank to set its lending rates – these aren't fixed. Mrs K hadn't wanted to take on a loan commitment any sooner, so she wasn't in a position to take advantage of the better rate when it was available.

I've taken into account everything Mrs K has told me about her reasons for the borrowing. This was a personal loan – not a mortgage. I can see the paperwork Mrs K signed says the borrowing was for 'personal expenditure'. I would expect the bank in these circumstances to carry out proper checks on affordability – and it looks as if this was done.

I agree with our adjudicator that the loan agreement Mrs K signed sets out all the important information that she needed to know to make a fully informed decision on whether or not to take out the borrowing.

The bank accepted that there had been some misunderstanding at the meeting when her loan was set up, so it has already paid Mrs K an amount which I consider is fair compensation in these circumstances.

I agree with our adjudicator and, looked at overall, whilst I sympathise with her position, I don't feel I can fairly and reasonably require the bank to take any further action in response to Mrs K's complaint.

my final decision

For these reasons, I do not uphold this complaint.

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

Susan Webb
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