



Case study: Banking/Credit

REFUSAL TO RENEW A LOAN BASED ON ALLEGED FAILURE TO KEEP RECORD

Themes: loan renewal, lack of binding contract, contract terms

This complaint relates to the renewal of a loan application which the complainant had taken out in 2008, and which was subsequently rejected for renewal or extension six years later.

In 2008, the complainant entered into a loan agreement with the bank secured against his property. The loan was contracted on a five-year full repayment term. In 2012, the complainant held a meeting with two employees of the bank regarding the loan. The complainant believed that all parties of the meeting agreed that the loan would be extended when the five-year term expired. An initial one-year extension was given.

In March 2014, the Bank advised him that the loan would not be renewed or further extended. However, it agreed to work out a repayment plan with the complainant. In February 2016, the complainant reached out to the Bank and asked to review and vary the previously agreed repayment plan. The Bank issued a document to the complainant stating that four payments should be made in December of the next four years, leaving the last payment at December 2018. The Bank made clear that no payment should have to be made after that date. The document sent to the complainant included this sentence: *"your home is at risk if you do not keep up repayments on a mortgage or other loan secured on it"*. Between February and November 2016, the complainant contacted the Bank multiple times in order to re-arrange the payment schedule as he could not afford the repayments. As the last request to modify the terms was refused, the complainant contacted the Bank to raise a formal complaint.

The complainant was not satisfied with the Bank's final response and came to CIFO for investigation. He explained that he was unhappy with the Bank for not keeping records of meetings, for acting improperly as a responsible lender and for allegedly threatening him by saying that his home was at risk in the document issued in February 2016. He pointed out that this situation had compelled him to change lenders and incurred a loss of £20,000 plus higher interest charges.

The CIFO case handler recommended the complaint not be upheld. He explained in his recommendation that the Bank was under no obligation to extend the loan or continuously agree to change the terms of the repayment schedule as no formal contract was made as a result of the 2012 meeting. He also noted that the phrase *"your home is at risk if you do not keep up repayments on a mortgage or other loans secured on it"* was a legal requirement set out by the regulator of the relevant jurisdiction, which is imposed on every loan quotation. The case handler therefore concluded that there was no threat and that the Bank had not acted unreasonably by not acting on what the complainant believed was an undocumented agreement to extend the loan is a commercial one and that it is not CIFO's role to intervene in financial services providers' commercial judgement.

As the complainant was not happy with the case handler's findings, he requested his complaint to be escalated to the Ombudsman for review. The Ombudsman conducted his own review and decided not to uphold the complaint on the same basis as those previously identified by the case handler.