

The complaint

V, a limited company, complains that IWOCA Ltd misled it into taking a loan with a high interest rate and would not provide any assistance when it struggled with repayments.

What happened

V made an application for a £50,000 recovery loan with IWOCA in June 2022, however this was declined. Following an automated decision, IWOCA was able to offer to reinstate an existing flexi-loan with a limit of £15,000 which V took out in 2018. V accepted the offer and initially drew down £4,000, followed soon after by another draw down of £11,000.

V made the initial payment of £449.46, but was then unable to meet further payments. It contacted IWOCA and requested for interest on the account to be waived for six months so they could have some breathing space. IWOCA asked for more information about the purpose of the loan and the issues the business was facing, and asked V to complete an affordability assessment so they could work out a repayment plan.

V answered the questions but refused to complete an affordability assessment. Because of this, IWOCA could not agree a repayment plan and no further payments were made to the loan, however interest continued to accrue.

IWOCA issued a final response in which it explained that the terms of the flexi-loan were clear in the agreement that was signed in February 2018. The agreement set out that the interest was per 30 days, not annual, and explained how the interest would be calculated. It said that as the interest had accrued in line with the agreement, and V was still active as a business, it would not look to reduce or freeze the interest. It also explained that it requested further documents from V to assess what arrangement would be affordable to it. As it did not receive those documents, a payment arrangement could not be made. So, it did not uphold V's complaint.

V raised a complaint with our service in which it stated it was unclear the loan was set to run for 12 months and that the 5% interest was monthly and not annual. It did not expect the monthly payments to be so high and felt interest should have been frozen to give some breathing space. It also stated the individual representing the business, Mr D, was neuro-divergent and had issues managing the account. And that he felt IWOCA's threats to enforce the personal guarantee he signed was tantamount to bullying.

Our Investigator looked into the case and firstly explained that the complaint point around the personal guarantee was outside of our jurisdiction, due to issues with V not meeting the definition of an eligible complainant for that issue. They went on to explain that IWOCA made the interest rate and how it worked clear, as well as the repayment schedule and loan term prior to V drawing down the funds. And that they felt it was reasonable that IWOCA asked for more information to ensure a sustainable and affordable repayment plan could be

agreed. But as this was not provided, it was reasonable that they did not accept a payment arrangement and that they continued to charge interest.

The Investigator did communicate an offer from IWOCA to deduct 30 days' interest that would have been frozen had they been aware of Mr D's medical conditions; on the provision that he provided medical documents to support this so they could better understand it and how it affected his ability to manage the flexi-loan.

Mr D, on behalf of V, did not accept the offer and felt it was immoral for IWOCA to ask for medical documents. He still felt V was led to believe it was taking out a low interest recovery loan and that it was unaware the 5% interest was not an annual percentage rate (APR) but a monthly one. He said that he did not recognise the credit agreement from 2018 and that it was not signed by him.

As an informal agreement could not be reached, the complaint has been passed to me for a final decision.

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.

Having done so, I agree with the Investigator for largely the same reasons. I think that IWOCA has acted reasonably in the circumstances, and I don't think it needs to take further action to remedy the complaint. I'll explain why in more detail.

The Investigator set out that the complaint point relating to the Personal Guarantee is outside of our jurisdiction as a service. As neither party has disagreed with this, I will not be addressing this part of the complaint within my decision.

I've firstly considered if IWOCA gave V clear information about the flexi-loan prior to the funds being available in 2022. IWOCA has provided account notes which include communications between V and IWOCA, as well as the original agreement from 2018.

The product in this case is a flexi-loan, which acts as a type of revolving credit. I can see that the flexi-loan was initially taken out in February 2018. Mr D, on behalf of V, has said he does not recognise the agreement and states it is not signed by him. I can see that the agreement has been electronically signed by Mr D and this document would have been a requirement to set up the flexi-loan, which was drawn down on the same day that the agreement was signed. I also note the Personal Guarantee that Mr D mentioned as part of this complaint was also electronically signed on the same day. On balance, I think it's more likely Mr D had sight of the credit agreement. Looking at this, I think it was clear that the agreement was for a revolving credit facility.

I can see that in July 2022, V initially made an application for a £50,000 recovery loan, which was declined. V was instead offered a £15,000 limit on the flexi-loan that was already open. I've listened to a telephone call between Mr D and IWOCA on 14 July 2022 in which Mr D states he has a flexi-loan with a limit of £15,000 and needs to update the bank details on it.

I have also seen e-mail communication between V and IWOCA from 13 July in which V states they have £15,000 on a flexi loan from a number of years ago and that they would like to keep it. Looking at this, I'm satisfied that it was clear V was drawing down from the existing flexi-loan that was initially taken out in 2018 and not applying for a new recovery loan.

V says that it was not fully aware of the true interest rate and was led to believe it was around 5% APR. I've again looked at the communications between V and IWOCA and can see on 15 July, prior to the funds being drawn down, IWOCA set out that: *'you've got a credit limit of £15,000 at an interest rate of 4.84% per 30 days'*. V then specifically asked about APR and was told that APR is not a true reflection of how much the product costs, but the exact cost will be shown on the account dashboard online.

IWOCA has sent me an example of the dashboard and what would have been visible when V was selecting to draw down funds. This set out at the top what the interest rate was and that it was per 30 days. This also allowed V to select a drawdown amount and would then show the term of the loan, the minimum monthly repayment, the total interest that would be charged, what the total repayment figure would be and there was the option to open up the full repayment schedule. There is no indication that V did not have access to the dashboard.

Considering all of this, I think IWOCA made it clear that the interest rate was 4.84% per 30 days, and not 4.84% APR. I also have to consider that V had used the same flexi-loan at the same limit in 2018, so had prior knowledge of the loan and how it worked, including the interest which was slightly higher previously. I cannot see that IWOCA has made an error in communicating the interest rate and other costs relating to the flexi-loan.

I've gone on to consider what happened when V contacted IWOCA and requested a freeze of interest and a deferment of payments for six months on the flexi-loan. I can see that IWOCA initially asked questions about the purpose of the loan and what issues the business was facing that was causing the non-payment of the loan. They also sent some documents for V to complete and said once this was completed, they would do an affordability assessment to see what support they could offer. They then warned that while the account is overdue the interest would continue to accrue on the principal balance.

Having considered this, this is what I would expect IWOCA to do in the circumstances at that stage. They tried to obtain more information about V's circumstances and required more information about V's financial situation to know how they could affectively help it. I can see this back and forth continued and IWOCA made it clear that an affordability assessment needed to be completed in order for a payment arrangement to be made. And that if the account was not brought up to date, a potential default would be registered.

However, V did not agree to complete an affordability assessment and indicated it was happy for the issue to be taken to court. Considering this, I think it was reasonable that IWOCA did not set up a repayment plan, defer payments or freeze interest. I think it is reasonable for IWOCA to have an understanding of what is affordable for V prior to giving financial assistance to it.

I do appreciate that IWOCA could have frozen interest while V had a complaint outstanding about this issue. But I can also see that they clearly set out what was needed to see what financial assistance was reasonable and what the consequences of not receiving this was. So, overall, I think them continuing to apply interest in line with the terms of the agreement was reasonable and I can't agree they have made an error.

I note that IWOCA made an offer to deduct 30 days' interest that would have been frozen had they been aware of Mr D's medical conditions but required medical documentation so they could understand how it affected his ability to manage the account. Mr D has said he does not want to accept this as he does not think he should have to share his medical information.

It is entirely up to Mr D what he chooses to share with IWOCA and I appreciate he may feel uncomfortable sharing personal information. It is not unusual for a business to request medical documents if the medical condition has impacted a consumer's experience with the business, so I don't think IWOCA's request was unreasonable. Mr D should contact IWOCA directly if he would like to pursue this offer further.

Things have moved on since this complaint was brought to our service. As I understand it, the loan has since been defaulted, which V considers unfair. As this is something which IWOCA hasn't responded to, it will need to be addressed with them in the first instance, so I won't comment on it as part of this complaint.

My final decision

I do not uphold V's complaint against IWOCA Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask V to accept or reject my decision before 16 March 2023.

Rebecca Norris

Ombudsman