

## **complaint**

Ms B complains about the charges and fees that Microcredit Limited trading as MiniCredit.co.uk added to her loan balance.

## **background**

Ms B took out a £100 loan with Microcredit in September 2012. Shortly after borrowing the loan, she lost her job and was unable to repay the loan. Ms B is unhappy that the loan increased to £1066. The loan account has now been sold to a third party debt collector, who has agreed to reduce the outstanding balance to £446. Ms B still thinks that the outstanding balance is too high.

Our adjudicator recommended that the complaint should be upheld. He thought that Microcredit had unfairly added charges, interests and fees. He calculated that the outstanding balance should be reduced to £303. He also said that Microcredit should amend the information provided to the credit reference agencies to reflect the balance at £303.

Ms B accepted the adjudicator's recommendation. Microcredit did not respond, so the complaint has been referred to me for a final decision.

## **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 can see from the credit agreement that Microcredit was entitled to apply overdue charges totalling £80 (£25 + £55), because Ms B did not pay her loan when she was supposed to. However, the £100 overdue charge is not in the agreement, so I think this charge should be waived.

Microcredit also added £640 debit attempt fees (£5 x 128 attempts within 120 days). I think this is excessive, and agree with the adjudicator that after the 10<sup>th</sup> attempt to debit Ms B's account, it was unfair for Microcredit to continue to try to debit her account. For this reason I think that Microcredit should have only charged £50 for debit attempt fees.

I can see that Microcredit charged interest on the debt for about five months. Taking into consideration the relevant guidance at the time, I don't think that it was fair for Microcredit to charge interest after 60 days of missed payment.

I think that the debt balance should be calculated like this;

£100 original loan  
£80 overdue charges (£25 + £55)  
£50 debit attempt fees  
60 days interest at 1%  
*Total: £303.*

I think that Microcredit should now arrange with the third party debt collector for Ms B's account balance to be reduced to £303.

I also think that Ms B has been caused some distress by the way Microcredit has handled her account. So I think that Microcredit should also pay Ms B £50 compensation to reflect this.

**my final decision**

My final decision is I uphold the complaint and I direct Microcredit Limited trading as MiniCredit.co.uk to;

1. arrange for Ms B's debt balance to be reduced to £303.
2. amend any information provided to the credit reference agencies to reflect the reduced debt balance of £303.
3. pay Ms B £50 directly to reflect the distress caused.

Should settlement not be made within 28 days from when Ms B accepts this final decision interest should also be added, to the £50 compensation payment at the rate of 8% simple per year to the date of settlement.

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

Karen Dennis-Barry  
**ombudsman**