

complaint

Mrs N has complained that Indigo Michael Limited lent to her irresponsibly.

background and findings

I issued my provisional decision on 11 September 2020 and that is attached and forms part of this final decision.

Indigo Michael responded and had nothing to add. I have received nothing from Ms N.

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. As I've not got anything to lead me to alter my findings then I repeat them here and my conclusion is the same.

The offer made by Indigo Michael in its final response letter (FRL) in July 2019 is a satisfactory one. I understand from Indigo Michael's responses it is available still. The figures will need to be updated due to the passage of time.

Ultimately, it's a matter for Ms N but my final decision is that I endorse the Indigo Michael offer set out in its FRL in July 2019.

my final decision

My final decision is that the July 2019 Indigo Michael offer is satisfactory and if Ms N accepts this decision then Indigo Michael Limited must adhere to it after updating the figures.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms N to accept or reject my decision before 30 October 2020.

Rachael Williams
ombudsman

My provisional decision dated 11 September 2020

background

Ms N was approved for a £300 credit limit on the Indigo Michael facility in August 2017. The limit was increased over the following few months and in December 2017 it was £450.

Ms N received a settlement offer in or around February 2019 which was: *'We recently emailed you to offer a settlement on your outstanding balance of £541.04. We are prepared write off the remaining balance and close your account if a payment of £405.78 is received by the 11/02/2019. Please note that accepting this settlement will show on your credit file as partially settled.'*

Ms N sent us a complaint form soon afterwards in which she has said - *'They have not given me a satisfactory response and have only offered to write off about 20% of the loan with the expectation that I pay over £400 back in full.'*

After Ms N's complaint to us we informed Indigo Michael in May 2019 and it replied to us saying – *When you originally emailed us [Ms N] had not raised a complaint with us. We raised a complaint internally on 17th May 2019 and upheld her complaint.*

Indigo Michael attached its final response letter (FRL) dated July 2019. In that FRL it made an offer which is set out here:

However, on review, we can see that there was a change in your circumstances due to a decrease in your disposable income and feel that permitted borrowing with your current credit limit of £450 at the time from 27th March 2018 may not have been in your best interests.

...

Therefore we propose that we provide you with a redress of all the interest that you have paid since 27th March 2018 (£561.83), plus statutory 8% interest (£51.10). In line with HMRC guideline we will deduct 20% (£10.22) from your statutory interest and pay this to HMRC, meaning that you will not have to declare this redress in your tax returns.

We will also remove any interest that has accrued on your outstanding balance (£134.92) and then deduct your principal outstanding balance (£406.12) from all the interest you have paid. This will allow us to close your account, discharging your liability with SafetyNet Credit, and leaving an amount of £196.59 payable directly to you. Any adverse markers in relation to this SafetyNet Credit Account will also be removed from your credit file.

One of our adjudicators looked at the complaint, approached it as an 'irresponsible lending complaint' and thought that the original approval in August 2017 was satisfactory. She did not have enough information from Ms N to be able to assess her financial situation in a detailed way but using what she had this was her view. Our adjudicator also considered that the four credit limit increases up to December 2017 were satisfactory.

Our adjudicator went on to say that from 6 February 2018 the way the account was being run ought to have led Indigo Michael to realise that Ms N had become dependent on the facility. And that it ought to put things right for Ms N from 6 February 2018.

Since then Indigo Michael has said that its offer in the FRL was in line with this service's approach and does not agree with the adjudicator's assessment that the date from which it ought to put things right is 6 February 2018. Indigo Michael went on to explain that *'...the important factor is not the number of individual uses (in this case withdrawals) but the outstanding balance, which was never greater than £594.'*

Since this complaint commenced in February 2019, we have heard very little from Ms N and nothing from her since our adjudicator's view was sent to her and the FRL offer from Indigo Michael was put to her again earlier this year. Indigo Michael asked for a decision and it was passed to me.

my provisional findings

I've considered all the available evidence and arguments to come to a provisional decision on what's fair and reasonable in the circumstances of this complaint.

Ms N has not responded to the adjudicator's view so I can only proceed on what I have. The difference between our adjudicator's view of the date from which Indigo Michael should put things right, and the Indigo Michael offer in its FRL is a matter of weeks. And I think that there has been a fundamental misunderstanding of the wording of the Indigo Michael 'offers'. And so, I plan to deal with this shortly and explain here.

The only indication I have as to what it is that Ms N objected to about the Indigo Michael first offer, was on her complaint form and her points are set out here: *They have not given me a satisfactory response and have only offered to write off about 20% of the loan with the expectation that I pay over £400 back in full.*

But its clear that this was written by Ms N in February 2019 and related to the first 'settlement offer' which may have related to an 'early settlement balance request'. I am unclear on what prompted that February 2019 offer but it's largely irrelevant as I will explain.

By the time that the FRL in July 2019 was written in response to a complaint precipitated by Ms N sending us her complaint form in February 2019, the offer included in it was quite different. The July 2019 offer was more beneficial to Ms N and I invite her to read the 'Background' section of this decision as I have set that offer out in full. The figures may need to be recalculated due to the passage of time, but the overall import is there.

Having reviewed all the information I have from both parties, then the assessment by the adjudicator that the initial approval of the facility and the four credit limit increases up to December 2017 were satisfactory and did not amount to irresponsible lending, it appears to be correct and that resolves the bulk of the complaint.

The outstanding issue is that of the offer made in the FRL, which, I understand from Indigo Michael's responses, appears to be available still. And I would consider that a satisfactory offer for the reasons Indigo Michael has given.

Ultimately, it's a matter for Ms N but my provisional decision is that I endorse the Indigo Michael offer set out in its FRL in July 2019, but the figures will need to be updated due to the passage of time.

my provisional decision

My provisional decision is that the Indigo Michael offer is satisfactory. I will review the complaint in two weeks.