

## complaint

Mrs A complains that Microcredit Limited, trading as MiniCredit.co.uk, did not deal with her fairly when she was unable to repay a payday loan.

## background

Mrs A took a payday loan in July 2012 of £450 and rolled this over in October 2012 with £589.50 to be paid. She contacted Microcredit to say she was experiencing financial difficulties. She asked that her interest payments be suspended for 28 days so that she could set up a debt management plan. Microcredit responded to say that it did not deal with debt management companies as it needed payments to be made by debit card. Mrs A has been making monthly repayments of £36.69 through a debt management company since December 2012 which she says have not been acknowledged by Microcredit.

The adjudicator recommended that Microcredit be required to reduce the debt outstanding to £589.50. He said that it had a duty to deal with Mrs A's financial difficulties positively and sympathetically. He said that, by continuing to apply interest and charges to her account (which had resulted in a balance of over £1,200) and by refusing to deal with her debt management company, it had not acted fairly. He did not think that Microcredit in stating that Mrs A should "...*face the consequences of her own actions...*" was either positive or sympathetic. He noted that it was not obliged to suspend interest or charges, but concluded that the outcome of these additions to the debt for Mrs A was not fair.

Microcredit did not agree. It made a counter offer that Mrs A be required to pay a total of £939.50 which was based on the original loan amount, interest of £409.50 (60 days at 1% per day) and overdue penalties of £80. It said that it had calculated this according to the Good Practice Customer Charter. It considered that by originally offering Mrs A a payment plan it had shown a positive approach.

## 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 that Microcredit has referred to an industry charter on "*Payday and Short terms loans*", which was required to be introduced across the industry by 26 November 2012. I appreciate that this post dates some of the contact Microcredit had with Mrs A but as it has mentioned this I consider it worth quoting relevant extracts in full. This says

*"If you are having problems repaying your loan, we will:*

- Deal with cases of financial difficulty sympathetically and positively and do what we can to help you manage what you owe.*
- Freeze interest and charges if you make repayments under a reasonable repayment plan or after a maximum of 60 days of non-payment.*
- Tell you about free and independent debt counselling organisations who can also help you."*

Microcredit takes the view that Mrs A's financial difficulties were not unforeseen. It also says that due to her "*over commitment*", Ms A "*should not be treated in the same way as a customer who for example faces a sudden health issue that causes a decrease in income*". Whilst I understand the distinction it is making, in advancing a short term payday loan I

cannot see that there is not also a responsibility for Microcredit to take reasonable steps to ensure it is affordable, and if it proves not to be, then to treat Mrs A fairly.

In this case Mrs A took proactive steps to contact Microcredit and seek professional debt advice when she realised she could not make repayments. I find Microcredit's response to her that it "...*does not deal with debt management agencies directly*" an unreasonable attempt to discourage her from seeking this support.

Instead it wanted her to make payments within 120 days and during a period when interest would continue to accrue. It said she could avoid only a default if she did this. Mrs A asked for some time to set up a payment arrangement and that Microcredit deal with her agency.

Instead it continued to pursue her and now says that in any case it did not receive correspondence from the agency. I am not clear what was sent, but I do not consider that this would have made a difference given the comments it had made.

Whilst I accept that it had applied interest charges in line with the terms of the agreement and has now offered a reduction in the debt, I do not consider that the outcome for Mrs A is fair. In reaching this view, I put particular weight on Microcredit's refusal to deal with the debt management agency she nominated. As a result, I agree with the conclusions of the adjudicator, except that I require Microcredit to arrange the payment plan through her debt management agency rather than directly with her.

### **my final decision**

In light of the above, my decision is that I uphold this complaint and in full and final settlement I order Microcredit Limited to:

- 1) Reduce the total amount originally owed to £589.50 and now less any payments already made.
- 2) Agree a suitable repayment plan with Mrs A's representative for the remaining amount.

Michael Crewe  
**ombudsman**