

complaint

Mr Y complains that Microcredit Limited (trading as MiniCredit.co.uk) should enter into a dialogue about his short term loan. He says he is in financial difficulty and the debt has escalated.

background

Mr Y borrowed about £120 and agreed to repay about £152.40 four weeks later. The quoted annual percentage rate of interest (APR) was over 4,000%. Mr Y did not repay the loan. He says his family suffered a loss of income. He complained when MiniCredit chased him for payment of about £600 and said it would not deal with his debt adviser.

The adjudicator recommended that the complaint should be upheld. She concluded that MiniCredit did not exercise restraint or exhibit sympathy. She said that it was willing to remove the fees for attempted debits and debt recovery. She recommended that it should also;

1. waive the late payment fees of £25 and £55;
2. accept a reduced payment arrangement;
3. freeze the application of any further interest or charges;
4. pay Mr Y £75 for distress and inconvenience.

MiniCredit disagrees with the adjudicator's opinion. It says that it received no payment or proposal from Mr Y. It says its late payment fees were clearly written in the loan agreement.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Where the evidence is incomplete, inconclusive or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

I have reviewed and taken into account the terms of the loan agreement.

I am satisfied that Mr Y told MiniCredit that he could not repay the loan because he was in financial difficulty. I consider that he tried to deal with his indebtedness through a debt management adviser.

I find it unreasonable that MiniCredit responded by saying "Microcredit Ltd does not deal with third-party companies directly..."

I do not consider it fair that MiniCredit continued to try to debit payments under a continuous payment authority and to add interest and charges.

I have reviewed the correspondence. I conclude that MiniCredit failed to consider that – viewed from Mr Y's position – the debt was escalating beyond his ability to make payments which would reduce it – let alone ever to repay it.

Overall, I am not at all satisfied that MiniCredit treated Mr Y fairly and reasonably, bearing in mind its responsibility to treat consumers who are in financial difficulty positively and sympathetically.

I intend to make an order to put Mr Y in the position he would have been in if MiniCredit had suspended interest and charges and negotiated with him or his adviser for a repayment plan.

I do not doubt that MiniCredit caused Mr Y worry and trouble at an already difficult time for him. I consider that MiniCredit has made this worse and prolonged it by its response to his complaint and to the adjudicator's opinion. I conclude that £100 is fair and reasonable compensation for this.

my final decision

For the reasons I have explained, my final decision is that I uphold this complaint. In full and final settlement of it, I order Microcredit Limited (trading as MiniCredit.co.uk) to;

1. not ask Mr Y to pay any more than £152.40;
2. negotiate with Mr Y, or his adviser, for a repayment plan based on his financial circumstances from time to time;
3. pay Mr Y £100 for distress and inconvenience.

Christopher Gilbert
ombudsman