

complaint

Mr B complains that he took out payday loans which were unaffordable. He says the lender didn't carry out proper checks before issuing the loans to him. He has asked Kapama Limited to refund all interest and charges and to remove details of the loans from his credit file.

background

Mr B says he took out a number of payday loans. The lender who issued the loans to him is no longer trading. But, the debt under Mr B's last loan was bought by Kapama in December 2014.

Our adjudicator said the lender had issued Mr B with 20 loans between 30 May 2011 and 27 June 2013, which weren't affordable. She recommended that Kapama should refund all interest and charges.

I issued my provisional decision in July 2016. I upheld Mr B's complaint in part. This was because I didn't think Kapama had treated Mr B fairly in relation to the loan it had bought from the original lender. But I didn't think Kapama was responsible for any of the original lending decisions.

Neither Mr B nor Kapama have made any further representations in response to my provisional decision.

my findings

I've therefore considered all the available evidence and arguments afresh to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, my decision remains the same. So, I have set out my findings again below.

As Kapama didn't issue any of Mr B's loans to him, it isn't responsible for any of the original lending decisions. So, I can't look at Mr B's complaint about inadequate affordability checks against Kapama.

But, Kapama took over the debt under Mr B's last loan agreement, which he entered into in June 2013. So, I can look at whether Kapama acted fairly when it collected the debt under this loan.

Mr B borrowed £100 in June 2013 and was due to repay it on 22 July 2013. Kapama's predecessor wasn't able to collect the payment under the direct debit that had been set up.

So, it charged Mr B £20. A second attempt to collect a few days later also failed. So, Mr B incurred another £20 charge. He was also sent a default notice.

I can see from the email exchanges between Mr B and the lender that Mr B asked to 'roll over' the loan when he got the default notice on 26 July 2013. The lender refused because the contractual repayment date had passed.

I think it should have been clear to the lender from this point that Mr B was having difficulty repaying his loan. Several attempts to collect payment had already failed. Also, when Mr B

asked for the roll over, it was a clear indication that he didn't have the money to repay the debt. At this point the lender should have considered suspending interest and charges.

The balance on the date of the default notice appears to have been £177.70. When Kapama took over the account, Mr B's debt stood at £476.80. The biggest proportion of the debt (£230) relates to charges for continuous failed attempts to collect payment by the original lender (at £5 per attempt). But the balance also includes interest and a debt collection charge.

I don't think any of the charges and interest applied after 26 July 2013 were fairly applied by Kapama's predecessor. I also think that when Kapama took over the account this would have been obvious, as it had a breakdown of the balance. It also had access to Mr B's exchanges with the original lender.

For these reasons, I don't think it was fair for Kapama to ask Mr B to repay any part of the debt made up of charges and interest applied after 26 July 2013.

my final decision

My final decision is that Kapama Limited should refund to Mr B those charges and interest applied after 26 July 2013.

It must also add simple interest at the gross rate of 8% per year from the date Mr B made the payment to Kapama until the date the money is refunded to him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 October 2016.

Athena Pavlou
ombudsman