

## **complaint**

Miss G complains about the way Microcredit Limited (trading as MiniCredit.co.uk) has treated her when she experienced financial difficulties.

## **background**

Miss G took out a loan with Microcredit repayable within 42 days. She experienced financial difficulties during this time and opened a debt management plan with a debt management company. It wrote to Microcredit offering a token payment of £1 and it subsequently repeated this offer on two other occasions. But Microcredit did not log this correspondence promptly – it took it between about one to two and a half months to do so. Miss G's account was defaulted some months later and sent to a debt collection agent. The original £80 debt had increased to over £830.

Miss G is unhappy about the way her account and financial difficulties have been handled. She says she has paid enough and wants the balance written off. Microcredit said Miss G had previously agreed to pay £450 towards the outstanding debt. It was willing to set up a repayment plan for a total balance of £190.67 (the £450 less the payments already received from Miss G of £259.33). Miss G declined that offer due to her personal circumstances and she says she cannot afford to do so and she has paid enough. Microcredit also says it could not deal with the debt management company as it had not been sent a letter of authority to do so.

Our adjudicator recommended that the complaint should be upheld. In summary, she considered that:

- Microcredit should have been reasonably aware that Miss G was in financial difficulties when it received the first letter from the debt management company offering a token £1 payment (although it is not clear why it took two months for this to be logged by it).
- There was nothing to suggest that Microcredit subsequently requested a letter of authority from the debt management company to allow it to deal with it or approached Miss G directly to address her apparent financial difficulties. Instead it applied interest and charges until the account was defaulted over three months later when the amount outstanding had increased to £831. This was not positive and sympathetic.
- The OFT Guidance on Irresponsible Lending says amongst other things that borrowers in financial difficulties should be treated with forbearance and consideration should be given to reducing or stopping interest and charges.
- Because of Microcredit's inaction Miss G's financial position worsened as the debt was allowed to increase. It did not investigate her financial difficulties or provide assistance. It did not act in line with the OFT Guidance.
- Miss G has now been evicted from her home and this debt would have contributed to the worsening of her financial position and Microcredit's collection agent has confirmed it also caused an eight month delay to the resolution of her complaint which would have caused Miss G distress and inconvenience.

- Microcredit should therefore refund interest and charges applied to her account from 27 April 2011. Miss G has paid £259.33 to the collection agent and Microcredit should refund any overpayment she has made once the refund of interest and charges has been made. It should also pay her £200 compensation for the distress and inconvenience caused.

Microcredit does not agree with the adjudicator. It says that when it received the debt management company's letter on 27 April 2011 the balance was £352. It is willing to reduce the total balance by £115 and does not think Miss G should be granted compensation. It did not cause the distress and inconvenience of her being in debt and not being able to pay it off.

### **my findings**

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

Having done so, I agree with the adjudicator that Microcredit has failed to treat Miss G positively and sympathetically when it was made aware of her financial difficulty. I am also not persuaded that it has met its obligations under the OFT Guidance. I consider it should reasonably have acted more swiftly and done more to consider her position including taking steps to enable it to promptly deal with her debt management company. I consider it would also have been fair and reasonable for Microcredit to have frozen or suspended the application of interest and charges from 27 April 2011 (when it was advised of her financial difficulties by her debt management company).

The fact that Miss G may have indicated at one point that she would pay £450 does not prove the debt was justified in that sum or at all or that Microcredit had acted fairly or reasonably in its calculation of the outstanding balance and/or in its gaining of her apparent agreement.

Microcredit has said that the balance on Miss G's account on 27 April 2011 was £352. In the circumstances I find that it is fair and reasonable for the outstanding balance on Miss G's account to have been frozen at that date in the sum of £352.

Furthermore, Microcredit has also recently agreed to reduce the total balance by £115 debit attempt fees – which I consider is reasonable. This reduces the outstanding balance to £237. Miss G has also paid a total of £259.33 back to Microcredit and its collection agent which must also be deducted from this outstanding balance. So Miss G has in fact overpaid by £22.33 and the loan was effectively paid off when the collection agent received her payment on 10 May 2013. I find that the sum of £22.33 should be refunded back to her together with interest on it at the rate of 8% simple a year from 7 June 2013 (the date of the last payment she made to the collection agent).

Miss G's credit file should also be amended appropriately to record these facts.

I also agree with the adjudicator that Miss G has been caused trouble, upset, distress and inconvenience by Microcredit's approach to matters and this has also contributed to her overall financial difficulties. Taking account of all the circumstances and the level of awards we make I agree that a payment of £200 compensation for this is fair and reasonable.

**my final decision**

My final decision is that I uphold this complaint and I order Microcredit Limited (trading as MiniCredit.co.uk):

1. To refund the sum of £22.33 to Miss G together with interest on it at the rate of 8% simple a year from 7 June 2013 to the date of settlement;
2. To amend Miss G's credit file to show that the loan and debt was capped at £352 on the 27 April 2011 and the agreement was settled on the 10 May 2013; and
3. To pay Miss G £200 compensation for the distress and inconvenience caused.

Stephen Cooper  
**ombudsman**