

complaint

Mrs C is unhappy that Kapama Limited is seeking to recover interest and charges outstanding on a loan that a payday loan provider irresponsibly granted her.

background

Mrs C took out a number of loans with a payday loan provider. It went into liquidation. The outstanding debt on Mrs C's last loan was bought by Kampana. The balance owing is made up of further interest and charges on the loan. It's seeking to recover this from her using a debt collection company.

Mrs C says that the last loan she took out with the payday loan provider wasn't affordable and shouldn't have been granted. The lending was irresponsible. She wants the remaining balance to be waived.

Our adjudicator recommended that this complaint should be upheld. He considered that:

- Mrs C had told the payday loan provider that she was in financial difficulty. She was in a cycle of debt and was borrowing from a number of other lenders. But despite this it continued lending to her. This last loan was therefore irresponsibly lent.
- Mrs C repaid to the payday loan provider more than the amount of money she borrowed from it. This was before the debt was bought by Kampana.
- As this last loan shouldn't have been granted and as the current debt is for interest and charges applied to the loan the outstanding balance should be waived. It's not fair or reasonable for Mrs C to pay any further interest and charges. Any entries added to Mrs C's credit file by Kampana's debt collectors should also be removed.

Kapama doesn't agree and has asked for an ombudsman review.

Mrs C asked to speak to me before I made my decision. I did so. She says her last loan was unaffordable. She's paid back all the money she borrowed. The claim is for more interest and charges.

my findings

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

I agree with the adjudicator's conclusions for broadly the same reasons.

Mrs C repaid to the payday loan provider more than the original amount of money she borrowed. It then went into liquidation and Kapama bought the outstanding debt which is made up of more interest and charges on the loan.

It's clear that the last loan shouldn't have been granted by the payday loan provider. Mrs C was in financial difficulty and a cycle of debt. I think its granting of this last loan was irresponsible.

In these circumstances I don't think it's fair or reasonable for Mrs C to pay any more interest or charges on the last loan she was granted by the payday loan provider. I think the outstanding balance on this loan - which has been bought and is now owned by Kampana - should therefore be written off.

As the last loan shouldn't have been granted by the payday loan provider I also think it's fair and reasonable for all entries placed on Mrs C's credit file by Kapama or its debt collectors to be removed.

my final decision

For the reasons I've discussed above my decision is that I uphold this complaint. And I require Kapama Limited to write off the outstanding balance it's seeking to recover on Mrs C's last loan from the payday loan provider. It should also remove all entries it or its debt collectors have placed on Mrs C's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 2 December 2015.

Stephen Cooper
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