

complaint

Miss P complains that Kapama Limited requires her to repay too much towards her loan.

background

In 2012 Miss P borrowed £220 from a payday lender. She failed to repay the debt, and the lender added fees and interest until the debt increased to over £2,000. The debt was sold to Kapama in December 2014. The lender has since gone into liquidation.

Miss P has repaid most of the debt, but not all of it. She complains that the amount of money she has had to repay, when compared with the small amount she originally borrowed, is disproportionate and excessive. She asked the company which is collecting the debt on behalf of Kapama to be refunded everything she had repaid, except for what she had originally borrowed. That company said that neither it nor Kapama had added any fees or interest to the debt – all of the extra money Miss P has to repay was added by the original lender. But as a gesture of good will, it offered to write off the remaining balance, which was about £200.

Miss P was not satisfied with that offer, and so she complained to our service. Our adjudicator thought that this complaint should be against Kapama, as it owes the debt, rather than against its collections agency. He said that although Kapama hadn't added any fees to the debt, it should have noticed that the lender had added them, and that they were excessive. So he thought that Kapama should not have collected any more money from Miss P than she had already repaid. He recommended that Kapama write off the outstanding balance and repay what Miss P had paid it (but not that it refund what she had paid before Kapama had bought the debt, since that money had gone to the lender).

Kapama did not reply by the deadline, so this complaint has been passed to me for an ombudsman's decision.

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 our adjudicator's decision, and for broadly the same reasons.

Lenders are regulated under rules in the *Consumer Credit Sourcebook* (or "CONC"). CONC 7.7.5 says:

"A firm must not impose charges on customers in default or arrears difficulties unless the charges are no higher than necessary to cover the reasonable costs of the firm."

Besides interest, the lender charged Miss P another £1,485 in fees. I don't think that is a reasonable cost for the recovery of a debt of £558.50 (which is the original loan plus all the interest that was charged). So I don't think that the lender should have charged Miss P as much as that.

Kapama wasn't the lender, and it didn't add those charges to the debt. But it should have noticed when it bought the debt that so much of the balance was made up of unreasonable charges. This was evident from information that appears to have been available to it at the time. And I think it should have acted on that information by waiving the outstanding balance (or not buying the loan). The outstanding balance at the time was £631.20. Miss P has paid most but not all of that. So I mostly agree with the adjudicator's proposed redress – to write off the outstanding balance and refund what Miss P has repaid since Kapama bought the debt.

But I also think that Kapama should pay interest on the refunds. And it should amend Miss P's credit file to show the debt as having been settled in December 2014, since that is what should have happened.

my final decision

My decision is that I uphold this complaint. I order Kapama Limited to:

- Write off the outstanding balance on Miss P's debt.
- Refund to Miss P all the payments she has made since Kapama Limited bought the debt.
- Pay Miss P simple interest on the refunds at eight per cent a year from the dates she made those payments to the date the refunds are made.
- Amend Miss P's credit file to show that the debt was fully settled in December 2014.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 14 March 2017.

Richard Wood
ombudsman