

## **complaint**

Mr A complains about the amount of money that Kapama Limited is asking him to pay. He also wants the debt to be removed from his credit file.

## **background**

In 2012 Mr A took out a running account credit agreement with a limit of £1,500. He borrowed £100. Shortly after borrowing the £100 he was taken to hospital so he wasn't able to repay the £100 when it was due. The lender kept adding interest and charges to the balance and later sold the debt to Kapama - who've been pursuing Mr A through a debt collector for the amount they say he owes.

Mr A complained to Kapama as he said he'd been asked to repay an unfairly large amount. So they offered to reduce the balance to £700 as a gesture of goodwill. But Mr A still wasn't happy as he didn't think he should have to pay back the £100 or the interest and charges. He said he'd contacted the original lender to explain he couldn't repay the debt - but they didn't help him and just passed the debt to Kapama. He didn't think Kapama had taken his circumstances into account so he asked us to look at his complaint.

Our investigator thought some of the charges that had been applied to Mr A's loan were excessive. She felt Kapama hadn't investigated Mr's A outstanding balance enough before buying it. She thought if they'd done so, they'd have realised the charges applied were unreasonable. So they should reduce Mr A's debt by £775.

Mr A and Kapama were both unhappy with this response. Mr A thought Kapama should write off the debt completely, restore his credit file, and pay him compensation. And Kapama pointed out that they hadn't added any charges to Mr A's account since they bought it. They thought the reduction in the debt the investigator had proposed was too high as Mr A hadn't made any repayments since 2012. As an agreement couldn't be reached, the complaint has been passed to me to decide.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable, in the circumstances of this complaint. Having done so, I'm going to uphold it for broadly the same reasons as the investigator.

Mr A's outstanding balance is made up of the following: initial loan of £100, £121 in interest, and £850 in charges. The charges are broken down as follows: two default charges of £25 and £50, debt collection charges of £100, and £675 in attempt charges - there were 135 attempt charges at £5 each.

I understand that Kapama weren't the lender and didn't add any of these charges to the debt. But they should have noticed when they bought the debt that a large part of the balance was made up of excessive charges. They had a responsibility to make reasonable enquiries about the debt they were buying.

I think it's fair Mr A pays the £121 interest on the loan. He hasn't repaid anything, and he would have agreed to pay interest when he took out the loan in 2012. I think it's also fair for Kapama to ask him to pay some of the charges applied because the loan went into arrears.

But I feel some of them, and in particular the attempt charges, were excessive – especially as Mr A had already explained to the lender that he was experiencing financial difficulty.

So I think our investigator's suggestion that Kapama remove the attempt charges and £100 of the other charges is a reasonable one.

I understand that Mr A will be disappointed with my decision as he wanted everything he owed cancelled and his credit file amended. But he did have the benefit of the initial £100 he borrowed. So I can't say it's unfair for Kapama to ask him to repay that, plus some charges - or for the default to remain on his credit file.

### **my final decision**

My final decision is that I uphold this complaint. In full and final settlement of it, I order Kapama Limited to reduce the total balance Mr A owes to it to £296.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 12 January 2018.

Jenny Lomax  
**ombudsman**