

## **complaint**

Mr K complains that Digital Finance Services UK Limited tried to collect £3,160.62 from him for an initial loan of £400. He complains they didn't answer any of his queries about the amount of the debt and wouldn't provide proof they were entitled to collect it.

## **background**

In 2012 Mr K was experiencing financial difficulties due in part to some mental health problems. He used a mobile phone payday lender to obtain some short term finance. When he reached a point where he was unable to repay what he owed he sought help from a debt counselling charity. They helped him set up a debt management plan which Mr K said started in January 2013.

Mr K said a debt collection company which was collecting his debt suddenly stopped taking payments from him in November 2013. He believes they went into administration. The debt counselling charity rearranged Mr K's debt management plan, dividing his payments between the rest of his creditors as it couldn't continue to hold his funds. Then in November 2014 Mr K was contacted by Digital Finance about the payday loan and told of intended court proceedings against him. He started making payments to them but queried the fact that they said he owed over £3,000 when the original loan he took from the payday lender in June 2012 was for only £400. He asked for supporting documentation related to his loan but received no reply back to his letters, emails, phone calls or a 'right to information' request. He complained but received no response.

Mr K then brought his complaint to this service. He wants the debt he apparently now owes written off and any money Digital Finance wasn't entitled to collect refunded. He said the lack of response from Digital Finance caused him to worry his finances were out of control. This resulted in a return of his mental health problems and a need for medication. He said he also had to spend time and money trying to get Digital Finance to communicate with him.

After sending out an initial opinion, our adjudicator found out that Digital Finance was in liquidation. The liquidator told him she had very little information regarding Digital Finance and hadn't located their loan book so couldn't yet confirm whether or not they held a loan for Mr K. As our adjudicator didn't feel it would be fair to leave the complaint open, he provided a new opinion to the liquidator. He said that as he'd seen nothing from Digital Finance to show they responded to Mr K's requests for information, he thought they provided Mr K with poor customer service and caused him unnecessary distress. His initial opinion was that they should pay Mr K compensation of £150 for this.

Our adjudicator said he realised there may now be no money to pay Mr K compensation. In the circumstances, he thought the fairest outcome would be for Mr K's debt to be written off and not sold or transferred on to another party. The information he said he'd received was that Mr K had previously already paid about £308 in total towards his debt.

Our adjudicator said it was clear Mr K was in financial difficulty when he contacted Digital Finance and that they had a responsibility to deal with him positively and sympathetically. He said he'd seen no evidence they did. He said Mr K's debt shouldn't have been allowed to continue to accrue interest to such an extent that it reached a balance of £3,160.62. As there's no evidence the loan was ever affordable, he thought any negative information on it should be removed from Mr K's credit file.

The liquidator has asked for a final decision from an ombudsman.

### **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, and in light of the lack of much evidence about the loan in question, I've reached the same conclusions as our adjudicator on this complaint and for broadly the same reasons.

I've seen evidence that Mr K made a number of attempts to communicate with Digital Finance before and after they contacted him to say that unless he paid them £3160.62 within the next seven days, they would issue court proceedings against him. I've also seen evidence from the debt counselling charity that at the end of 2014 and during 2015 payments from Mr K were being made to Digital Finance. I agree with our adjudicator that the lack of response from Digital Finance to Mr K's requests for help and information caused him unnecessary distress. I agree that he wasn't dealt with positively and sympathetically. I also agree that the interest on his debt shouldn't have been allowed to continue to accrue.

Digital Finance may well not be in a position now to pay Mr K compensation for the errors it made. In the circumstances, I think, like our adjudicator, that the fair thing here would be for the outstanding balance on Mr K's loan to be written off and for any information about the loan on his credit file to be removed.

### **my final decision**

My final decision is Digital Finance Services UK Limited should write off the outstanding debt owed by Mr K and remove any information about the loan from his credit file. For the avoidance of doubt, Digital Finance Services UK Limited should not sell or transfer Mr K's debt on to another party.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 28 September 2015.

Sarah Carter  
**ombudsman**