

complaint

Mr B is unhappy that Kapama Limited (Kapama) is pursuing him for a debt which relates to a loan he thinks was irresponsibly lent.

background

Mr B took out a payday loan. He didn't repay the loan and the debt was purchased by Kapama who instructed a debt collector to collect the loan.

He said the original payday loan provider didn't properly assess whether the loan was affordable. He was also unhappy about the interest and charges that had been applied to the debt.

Kapama offered to reduce the outstanding balance on the debt. Our adjudicator thought that was a fair resolution of Mr B's complaint.

Mr B didn't agree and so the matter needs an ombudsman's decision.

my findings

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

Mr B's main complaint is about the fact that the loan was not affordable. As Kapama didn't issue the loan to him, it isn't responsible for the original lending decision. So I can't consider this further.

Mr B was also unhappy as Kapama was unable to provide a copy of the default notice issued. Kapama said it wasn't provided with a copy by the original loan provider, so it's not clear if one was sent.

Lenders aren't always necessarily required to issue default notices before recording defaults on a credit file. That said, I think it's good practice and should ideally be done. But the key question here is how Mr B would have acted had he been aware of the intention to register the default. And from what Mr B has told us about his financial situation, I don't think it would have made a difference if he had been sent a default notice – as I don't think he would have been in a position to settle the debt and avoid the default at the time.

But, in any event, Kapama wasn't responsible for the loan at this time and so I cannot consider this matter further against it. Kapama has just taken over the recording of the default from the previous company. It hasn't issued a default notice or a new default. So I don't think it's done anything wrong.

Mr B also said he wasn't notified that the debt was being sold and he hadn't heard from Kapama about the debt for many years. And so he said it was unfair that he had received an email from it out of the blue asking for more than three times the original loan amount.

Kapama took over this debt in December 2014 and it notified him of this by letter the following month. It has provided a copy of this letter and said it was also sent by email. And I have seen system notes which show that it continued to write to him and send him emails over the following year. The email and postal addresses that it sent these too are the same

as the ones that Mr B currently holds. So I think it did enough to keep him informed about the debt.

I think most of Mr B's complaint centres about the actions of the original loan provider. And I know that Mr B is frustrated that he cannot complain to it as it is no longer trading. But as I have set out above, I cannot consider those matters against Kapama and I hope Mr B now understands why that is. But as Kapama purchased the debt - I can look at whether Kapama has acted fairly from when it took the debt over.

Mr B took out a loan for £300 in January 2013. As I understand it, he hasn't made any repayments towards the loan. Kapama said it hasn't added any additional interest or charges to the debt from when it purchased it in December 2014. When it took over the account, Mr B's debt stood at around £1,353. The majority of this appears to relate to charges for fees for failed attempts to collect payments. There are also default and debt collection charges as well as interest on the loan.

The charges appear to me to be excessive and I think this would have been obvious to Kapama when it took over the debt. Indeed, Kapama said it appreciates that the level of interest and charges had caused the balance to increase significantly. To resolve this, it has offered to adjust Mr B's balance so that he has to repay only the principal sum and half of the interest applied, reducing the debt from £1,353 to £479.

I am sorry to hear of Mr B's financial difficulties. But I think Kapama's offer to reduce the outstanding balance as set out above is a reasonable offer and I am not asking it to do anything else here.

If Mr B decides to accept this offer it remains open to him to discuss with Kapama an affordable repayment plan based on any income/expenditure assessment that it may require him to undertake. I would remind Kapama of its responsibilities to treat customers who are in financial difficulties in a positive and sympathetic manner.

my final decision

To settle this complaint Kapama Limited should reduce the outstanding balance owed by Mr B to £479 as it has agreed to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 31 October 2016.

Siobhan Kelly
ombudsman