

complaint

Mr M complains that Cash Box Credit Union Limited has not dealt fairly with him in relation to repayment of a loan.

background

Mr M took a loan from Cash Box. Following financial difficulties, he was unable to keep up repayments on the loan and it went into arrears. The debt was eventually passed by Cash Box to collections agents, and Mr M asked for a statement of his loan. He says he was told that, if he made regular payments, a settlement agreement could be reached.

Mr M says that after making payments for twelve months, he was sent a statement and discovered that substantial charges had been added to the debt.

Cash Box did not accept it had done anything wrong, and said it had only instructed collection agents when it received no response from Mr M to its letters. As things were not settled, Mr M brought his complaint to this service where an adjudicator investigated it.

From the evidence, the adjudicator felt that Cash Box had acted reasonably in freezing interest and charges on the account and accepting reduced payments towards the balance. In view of that, the adjudicator did not recommend that the complaint should succeed.

Mr M did not agree with the adjudicator's conclusions and said, in summary:

- He accepts that Cash Box took some steps to help him, but this does not justify the large amount of the charges that have been applied to the account.
- He suffered severe hardship, including problems with accommodation, during the period in question.
- He is happy to pay back his debt, but not the charges.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

It seems that Mr M twice moved home and did not tell Cash Box his new addresses. There were two years in which Mr M did not make any payment towards his loan. Cash Box was able to trace him and, through the collections agents, he then agreed to make repayments towards the debt. Mr M stopped making payments when he discovered the extent of the charges that Cash Box had applied to the debt.

The charge that Mr M mainly objected to was a 'collections fee' of 35% of the debt, added to the debt when Cash Box instructed collections agents to act in the matter. When I looked at the legal agreement between Mr M and Cash Box, I could not see any provision for a fee of this type and so I invited Cash Box to remove it.

Cash Box agreed to do that, and Mr M told us that this is a satisfactory outcome for him. There were also charges of £40 and £5 added for a tracing fee and for cancellation by Mr M of the direct debit. Mr M has not raised any substantive objection to those fees, which I consider were fair and proportionate charges in the circumstances and so need not be refunded.

I find that the other steps taken by Cash Box to freeze interest and charges on the account represented reasonable help for Mr M's financial difficulties.

my final decision

My final decision is that I uphold this complaint in part and direct Cash Box Credit Union Limited to:

- remove the 35% collections fee from Mr M's debt; and
- adjust any credit reference information it may have registered in respect of the debt, to reflect the amended balance.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr M to accept or reject my decision before 29 May 2015.

Jane Hingston
ombudsman