

complaint

Miss P says Elevate Credit International Limited ('ECI') irresponsibly lent to her.

background

This complaint is about 16 instalment loans which ECI provided to Miss P between July 2016 and February 2017. Miss P complained the loans were not affordable or sustainable, so she concluded ECI had lent to her irresponsibly.

Our adjudicator partially upheld Miss P's complaint saying loans 4 to 16 were lent irresponsibly and were unsustainable for her. Our adjudicator suggested the following redress to be calculated and paid by ECI as follows:

"If you have sold the outstanding debts you should buy these back if you are able to do so and then take the following steps. If you are not able to buy the debts back then you should liaise with the new debt owner to achieve the results outlined below.

A) You should add together the total of the repayments made by Miss P towards interest, fees and charges on all upheld loans without an outstanding balance, not including anything you have already refunded.

B) You should calculate 8% simple interest on the individual payments made by Miss P which were considered as part of "A", calculated from the date Miss P originally made the payments, to the date the complaint is settled.*

C) You should remove all interest, fees and charges from the balance on any upheld outstanding loans, and treat any repayments made by Miss P as though they had been repayments of the principal on all outstanding loans. If this results in Miss P having made overpayments then you should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled. You should then refund the amounts calculated in "A" and "B" and move to step "E".*

D) If there is still an outstanding balance then the amounts calculated in "A" and "B" should be used to repay any balance remaining on outstanding loans. If this results in a surplus then the surplus should be paid to Miss P. However if there is still an outstanding balance then you should try to agree an affordable repayment plan with Miss P.

E) You should remove any adverse information you have recorded on Miss P's credit file in relation to 4 and 5. The overall pattern of Miss P's borrowing for 6 to 16 means any information recorded about them is adverse, so you should remove these loans entirely from Miss P's credit file. If you have sold any of the loans you should ask the debt purchaser to do the same.

**HM Revenue & Customs requires you to deduct tax from this interest. You should give Miss P a certificate showing how much tax you've deducted, if they ask for one."*

ECI agreed with our adjudicator's view and calculated that Miss P borrowed a principle amount of £2,600. She had repaid the total amount of £2,484.43, so ECI said there was no redress due as there was still an outstanding balance of £97.88. ECI added that this calculation took into account the additional 8% interest and the standard 20% tax deduction. Our adjudicator told Miss P the calculation was in line with our approach so the offer was forwarded to Miss P.

Miss P disagreed with the suggested settlement from ECI saying the redress does not take into account the mental health issues she suffered as a result of the irresponsible lending and the complaint was passed to me to look at that issue.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

I don't need to decide here whether the loans were made irresponsibly and were later unsustainable for Miss P because there are no comments on those aspects of our adjudicator's view. ECI has accepted it should not have made loans 4 to 16 to Miss P and has offered a redress calculation which I have set out in detail in the background to this decision and which I think is in line with our approach.

The key issue then is whether ECI has done enough to address the complaint. ECI has accepted it should not have lent loans 4 to 16 to Miss P. On receiving our adjudicator's view, ECI took steps to take back the outstanding debt from the debt collector. ECI then calculated that Miss P had repaid the total amount of £2,484.43, which left an outstanding balance of £97.88, after they added on 8% interest and deducted 20% tax. It also agreed to correct the credit file in the ways requested by our adjudicator once Miss P has paid the outstanding balance.

Miss P told us she suffered serious mental health issues as a result of the irresponsible lending and she does not feel the redress takes that into account. So I considered industry guidance regarding vulnerable consumers. The guidance expressly refers to treating consumers fairly, particularly when dealing with consumers with mental health problems. But the fact that a consumer has mental health issues doesn't mean a debt should simply be written off. And ECI should respond to Miss P's circumstances positively and sympathetically.

From what I've seen in this case, I haven't seen any evidence about when Miss P's mental health issues started, or that Miss P told ECI she was vulnerable at the time of her financial difficulty. So I don't think it's fair to criticise ECI for not doing something different by adding further compensation for Miss P. I think Miss P now has the chance to tell ECI about her mental health status and to agree a payment plan for the outstanding balance. And ECI will have to deal with her requests positively and sympathetically.

my final decision

For the reasons given above, I think Elevate Credit International Limited has suggested a fair way to settle this complaint so it should put things right according to the terms of the offer it has agreed to make.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 29 February 2020.

Amrit Mangra
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