

complaint

Mr A complains about how Microcredit Limited (trading as MiniCredit.co.uk) has responded to his financial difficulties.

background

Mr A took out a loan with Microcredit. A few days later he contacted it to say that he would not be able to afford to repay the loan. He asked Microcredit if he could agree a settlement plan and asked for the interest and charges to be frozen whilst the issue was resolved. Microcredit responded on the same day offering him three different options – either he pay the full settlement, enter a settlement plan or agree a payment plan with a default on his credit file. Just over a week later Mr A advised Microcredit that he was working with a debt charity.

After further contact from Mr A, and almost two weeks later, Microcredit confirmed that it did not deal with debt management agencies. It repeated its previous offers and asked him to fill in a hardship form. Microcredit refused to agree to a payment plan and continued to apply interest and charges to Mr A's account. Mr A is unhappy with this and the way that Microcredit has dealt with him when he was in financial difficulties.

Our adjudicator recommended that the complaint should be upheld. In summary she considered that:

- When Mr A attempted to set up a repayment plan Microcredit said it did not work with debt management agencies. Microcredit had not followed the OFT Debt Collection Guidance which said that it is unfair practice to refuse to engage with a third party representative such as a debt advisor or debt management business unless there is an objectively justifiable reason for doing so.
- Although Microcredit provided Mr A with three options for repayment it should have acted positively by engaging with the debt charity to come to a fair and reasonable payment plan. It was in fact almost a month before it did so. If it had done so Mr A's debt would not have increased due to the excessive interest and charges that had accrued. Microcredit had not provided a justifiable reason for refusing to engage with the debt charity. It was not Mr A's fault that it did not deal with this debt charity as it could not accept its payment methods and he should not be punished for that by the application of interest and charges.
- Microcredit did not attempt to call Mr A to discuss other options of repayment as it did not want to accept a payment plan from the debt charity. Instead it contacted him by text demanding the outstanding balance is cleared although it was aware of his financial situation. It did ask him to complete a hardship form but this was not necessary as he had made arrangements with the debt charity to commit to an alternative arrangement.
- Microcredit has reduced Mr A's outstanding balance by waiving the failed direct debit fees and a debt recovery fee. But it was not reasonable for it to have continued adding interest to the balance after he had made it aware of his financial difficulties. By doing so the balance increased despite Mr A struggling to make his original payments. This was unfair. It was also not reasonable for it to apply further overdue charges to his account.

- Microcredit has not acted sympathetically by continuing to apply charges and interest to the account and it has caused Mr A unnecessary distress and inconvenience by refusing to enter into any arrangements with the debt charity and failing to discuss other repayment options. It also continued to chase him although it was aware he could not afford to repay the loan.
- Microcredit has not acted positively and sympathetically to Mr A's financial difficulties. Consequently Microcredit should remove all interest applied after 1 April 2013 and the overdue charges applied on 18 April 2013 and 20 April 2013. It should also pay Mr A £100 for the distress and inconvenience caused and ensure a fair and reasonable payment plan is set up on the account.

Microcredit does not agree. In summary it says that it has not refused to deal with the debt management plan and it advised Mr A that once it received the paperwork from the debt charity it would forward the account to its debt recovery partner. It asked Mr A on many occasions to fill in a hardship form but the debt charity told him not to do so. He could have set up a long term payment arrangement from the first moment he claimed to be in financial difficulties. He was incorrectly advised by the debt charity which deliberately delayed matters. The balance on Mr A's account is reasonable as he had defaulted on the loan. It does not agree to pay £100 compensation.

my findings

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

My role as an ombudsman is to consider the individual complaint and decide whether something has gone wrong. I am required to reach a decision on a complaint that is fair and reasonable in all the circumstances of this particular complaint alone notwithstanding what may have happened in other individual cases.

Having done so, although I accept that Microcredit has made some reduction to the amount owed by Mr A, I am not persuaded that it has treated Mr A fairly, positively or sympathetically once he said he was in financial difficulty. I find that it could have done more to assist him once he advised it that he was in financial difficulty and it could have discussed much more actively setting up an acceptable repayment plan with the debt charity.

There are clearly issues between Microcredit and the debt charity but I do not consider it reasonable that Mr A should suffer as a result. I consider Microcredit should reasonably have engaged with the debt charity Mr A had sought assistance from at a much earlier stage than it eventually did about a month after he said he had consulted it.

Whether or not Microcredit actually refused at any stage to deal with the debt charity and/or was in breach of the OFT guidelines, I am also not persuaded that it made absolutely clear to Mr A from the outset that although it would not deal with the debt charity (as it did not accept its payment methods) it could refer the account to its legal and debt collection partner which would be able to engage with it and accept payments.

I find that it would have been reasonable in the circumstances for Microcredit to have passed the account to its debt collection partner promptly after Mr A said he was involving the debt charity. Furthermore, once advised of the involvement of the debt charity I also do not

consider it was reasonable for Microcredit to continue to ask Mr A to submit a hardship form and engage in direct discussion over a possible repayment plan.

Had Microcredit passed the account to its partner or engaged more actively in meaningful discussions with the debt charity I consider it more likely than not that the further interest and charges would have been avoided. In any event, I consider it is fair and reasonable in all the circumstances of this case, and notwithstanding the terms of the loan, for interest and charges to have been frozen once Mr A said he was experiencing financial difficulty.

Overall I therefore agree with the adjudicator's recommended award and see no compelling reason to change the proposed outcome in this case. I am also satisfied that Microcredit has caused Mr A some distress and inconvenience warranting an award of compensation. Taking into account all the circumstances and the level of award we make, I find that £100 is fair and reasonable.

my final decision

My final decision is that I uphold this complaint and I order Microcredit Limited (trading as MiniCredit.co.uk):

1. To remove from Mr A's account, if it has not already done so, all interest applied after 1 April 2013 and the overdue charges applied on 18 April 2013 and 20 April 2013;
2. To pay Mr A £100 for the distress and inconvenience caused; and
3. To ensure, if reasonably possible, that a fair and reasonable payment plan is set up on Mr A's account.

Stephen Cooper
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