

complaint

Mr N has complained about the way Microcredit Limited, trading as MiniCredit.co.uk, responded to his financial difficulty.

background

Mr N took out a loan with MiniCredit for £400 in March 2013. Before the repayment date in May, Mr N told MiniCredit that his wife had lost her job and he was unable to repay in full. Mr N paid the interest due at that stage and was offered the opportunity to roll over the loan amount and choose a new repayment date on the basis his financial difficulties were temporary.

In June, Mr N asked MiniCredit to rollover the loan again as his personal circumstances had not changed. MiniCredit rejected this application and started to apply interest and charges as the original loan amount remained unpaid.

Throughout the month Mr N contacted MiniCredit by email and telephone to discuss his repayment options and obtain a settlement figure. MiniCredit insisted on the full amount being settled and attempted to take payments from Mr N's account, with the result that further charges were added to his account.

MiniCredit referred Mr N's account to their debt collection service requesting a minimum payment of £841.20.

Mr N complained to the ombudsman service that he had not been treated fairly and that MiniCredit delayed in giving him a settlement figure until the total amount had increased with further charges being added. He was also aggrieved that they had not accepted his offer of £600 to settle the account.

Our adjudicator said that MiniCredit had been on notice that Mr N was in financial difficulties, as soon as he requested the first roll over and told them that his wife had lost her job. They had not complied with their own customer charter and he asked them to refund all the interest and charges payable from 3 June and pay Mr N £150 for the distress he had suffered.

MiniCredit rejected the adjudicator's findings as they said they offered Mr N the opportunity to make a hardship application and he had refused.

my findings

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

MiniCredit has a responsibility to treat its customers positively and sympathetically once it knows of financial difficulties. Having reviewed the evidence from both Mr N and MiniCredit, I am not satisfied that they did this in Mr N's case.

Mr N first contacted MiniCredit in May 2013 to tell them that his wife had lost her job. I consider this should have been a trigger for them to take appropriate action. I accept that rolling over the loan may have been an effective temporary solution to the problem. But when Mr N applied for a further extension the following month, I am concerned that they did not see what was going on and take positive and sympathetic action.

I have seen the file notes of the telephone conversations in June, and listened to the available recording. When Mr N phoned MiniCredit to talk about the difficulties he was having in repaying the loan, I accept that MiniCredit did talk about financial hardship. Unfortunately this was at the end of the conversation by which time Mr N felt that MiniCredit were not willing to resolve his issues. In fact they'd already told Mr N that they would continue to take payments from his account on a daily basis under an earlier continuous payment authority. He was told that it was his responsibility to cancel his current card to avoid their automated charges of £5 every time they attempted to collect a payment. Whilst MiniCredit subsequently cancelled £75 worth of charges, I am concerned that they continued to try and see whether there were sufficient funds in Mr N's account, by using the payment authority he had previously provided. I do not consider this behaviour to be reasonable.

I consider it to be a failing by MiniCredit that they did not react positively or sympathetically to Mr N's position. The file notes show that Mr N continued to phone and email to discuss a plan to repay the loan amount. At no stage did they follow up on hardship procedures. MiniCredit's response is that Mr N did not go online to fill in the hardship application but I can see no evidence that he knew this option was available.

The business continued to apply interest and charges to the account, and to tell Mr N that they would only accept settlement of the full amount. This had the effect of increasing the size of the debt, and causing Mr N distress.

Since the debt has been with a debt collection service, Mr N has paid £241.20 towards the overall debt. MiniCredit has confirmed that they are aware of this payment. This is consistent with his willingness to pay back the money he borrowed.

MiniCredit has said it is contractually able to apply interest and charges and to seek repayment of the debt. However, this is subject to its obligation to respond positively and sympathetically where a customer is in financial difficulties. I find it did not do this, and I consider £150 to be fair compensation for this failing. I have discussed this amount with Mr N and he would prefer this to be used to offset the money he owes.

my final decision

For the reasons set out above, my final decision is to uphold Mr N's complaint and instruct Microcredit Limited to take the following actions in full and final settlement:

- set the amount owing under the loan to be £524 which is the original loan amount and interest applicable to 3 June 2013;
- deduct £40 from this amount being money taken from Mr N's account in June 2013;
- deduct £241.20 from this amount being the amount Mr N has already paid towards the debt;
- pay Mr N £150 for the distress caused. This money should offset the loan amount;
- agree a repayment plan with Mr N for the payment of the remaining amount to reflect his current circumstances; and
- amend any information given to credit reference agencies to show the amount now outstanding.

Sandra Quinn
ombudsman