

complaint

Miss A complains about the way that Microcredit Limited (trading as MiniCredit.co.uk) has dealt with her financial difficulties.

background

Miss A took out a loan from MiniCredit in November 2012 for £100 which was repayable the following month. She deferred payment of it twice. She contacted MiniCredit to say she could not afford to repay the loan and she was approaching a debt management company. MiniCredit initially suggested a further deferral and then told her that it would not deal with her debt management company as the payments it submits are not suitable for it. It also considers that Miss A's difficulties including health issues are of her own making.

Miss A is unhappy with the way MiniCredit had dealt with her and that her debt has increased significantly to an outstanding balance of over £1,584.

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

- He disagrees with MiniCredit's suggestion that Miss A should have applied for a further rollover deferral when she told it she could not pay the loan back. She had by then already deferred it twice and he had concerns as to how MiniCredit was satisfied that this was an affordable solution. MiniCredit could have done more to assist her.
- Miss A also told it that she had approached a third party debt management service and was in a debt management plan. But MiniCredit did not initially respond and then said it does not deal with any third party companies directly according to the loan agreement. This is contrary to the OFT Debt Collection Guidance. This explains what it considers to be unfair practices and this includes *"refusing to engage, appropriately or at all, with a third party representative, such as a debt advisor at ... a debt management business...unless there is an objectively justifiable reason for doing so"*.
- In the circumstances MiniCredit should have taken a more positive and sympathetic approach once it became aware that Miss A was in financial difficulties and should have engaged with her debt management company at a much earlier stage rather than allowing her debt to accrue further interest and charges.
- Consequently all interest and charges applied after 20 February 2013 should be removed and it should pay Miss A £100 for the distress and inconvenience caused by not dealing with her debt management company.

MiniCredit does not agree with the adjudicator's recommendations. In summary it says that Miss A used the FAQ section of its website and selected the *"I am not able to make the repayment on the due date"* question. This did not specify that she could not afford to pay. She received an automated response. A subsequent e mail from her on the same date explained she had a debt management plan with a third party debt management company. MiniCredit explained in its reply sent within the hour that it could not deal with the debt management company as it could not accept payments from it as MiniCredit did not have a bank account which would accept direct transfers or cheques. As soon as it was sent information from the debt management company it sent the account to its debt recovery partner.

MiniCredit has said that it is prepared to waive charges and interest added to Miss A's account after 16 April 2013 when it was contacted by her debt management company and the lowest balance it can offer is £267. It also disagrees with an award of £100 compensation as it assisted Miss A.

Miss A says she is unable to accept MiniCredit's proposal. She accepts paying back the loan and interest until 16 April 2013 (totalling £187) but not the two overdue charges added on 21 and 23 February 2013 (totalling £80). She has asked for an ombudsman review.

my findings

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

Having done so, I agree with the conclusions reached by our adjudicator for broadly the reasons given.

Furthermore, although MiniCredit responded very promptly to Miss A's second manually written email on 20 February 2013 I am not persuaded that it did as much as it might to assist her. At that time she had already deferred and rolled over the loan twice and I consider that on balance it should have been reasonably apparent to MiniCredit that she may be suffering financial difficulty. I am not persuaded that its suggestion that she defer the loan again was appropriate in the circumstances.

I am also not persuaded that its response saying it would not deal with a third party debt management company was fair, reasonable or in line with the OFT Debt Collection Guidance. I consider MiniCredit could also reasonably have made her aware at that time that it could pass the account to its debt collection partner which would be able to deal with her debt management company. I also do not consider that Miss A should suffer adversely as a result of MiniCredit's banking arrangements not being able to deal with payment from third party parties. That is clearly not her fault.

Had MiniCredit involved its debt collection partner at this early stage and asked it to actively contact Miss A, I consider it more likely than not that the default charges would not have been added to Miss A's account.

Overall I consider that MiniCredit could and should have responded more positively and sympathetically to her financial difficulties from the 20 February 2013. Consequently I am not persuaded that any removal of interest should only be effective from April 2013 - when the debt management company contacted MiniCredit - as MiniCredit has suggested. Taking account of all the circumstances and the level of award we make, I also consider it is fair and reasonable for MiniCredit should pay Miss A £100 compensation for any distress and inconvenience caused. So, I see no compelling reason to change the proposed outcome in this case.

my final decision

My final decision is that I uphold this complaint and I order Microcredit Limited (trading as MiniCredit.co.uk) to remove from Miss A's account all interest and charges applied after 20 February 2013 and to pay Miss A £100 compensation.

Stephen Cooper
ombudsman