

complaint

Mrs O has complained that the fees and charges applied to a number of her loans with Microcredit Limited were unfair, and that the borrowing was unaffordable.

background

Mrs O took out 10 loans with Microcredit over a six month period. She has explained that she fell into financial difficulties, and struggled to repay some of them, including the interest and charges.

Our adjudicator initially recommended that the interest and charges related to the last loan should be refunded, as he felt that by this point it was clear the loans were unsustainable. However, on reflection, a second adjudicator felt that the fees and charges should be refunded from the loans entered into from 3 October onwards, *ie* the last four loans. He also considered that the matter had caused Mrs O some distress and inconvenience, for which £100 compensation was appropriate.

The complaint has now been passed to me for my final decision.

my findings

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

The OFT's Irresponsible Lending guidance, dated March 2013, clearly sets out that it is unfair repeatedly to allow a consumer to enter into sequential short-term loans, where this is unsustainable.

I consider that this is what has happened here, and agree that in this case, the borrowing was becoming unsustainable by the sixth consecutive loan. On 3 October, Mrs O borrowed £400, which is around double what she had been borrowing before. I believe this should have indicated that she was in an unsustainable cycle of continuous short-term, high interest borrowing. Accordingly, I agree with the second adjudicator that all interest and fees should be refunded from this date. However, Mrs O should not be refunded the principal sums, as she did have the benefit of these sums.

As I do not feel the last four loans should have been granted, all reference to these should be removed from Mrs O's credit file.

I also agree that Mrs O has been caused distress and inconvenience by being allowed to enter into unsustainable borrowing. I consider £100 compensation is appropriate to address this.

my final decision

It is my final decision to uphold this complaint. I require Microcredit Limited to:

- a) refund all of the fees and charges relating to the loans from, and including, 3 October 2013, adding 8% simple interest per annum, from the date each fee or charge was applied, to the date of settlement;
- b) remove all reference to the loans set out in (a) above from Mrs O's credit file; and
- c) pay her £100 compensation.

Under the rules of the Financial Ombudsman Service, I am required to Mrs O to accept or reject my decision before 10 July 2015.

Elspeth Wood
ombudsman