



## Case Study: Non-Bank Money Services and Credit

### EARLY REPAYMENT CHARGE ON PRIVATE FINANCE AGREEMENT

Themes: unfair contract terms, early resolution, statutory exception to 90-day complaint timescales

Mr B and Miss C complained that they were being asked to pay an unreasonable charge on repaying a private finance agreement.

In 2011 Mr B and Miss C obtained private finance on their property through a local credit broker. They refinanced in 2012, and then again in 2016. The lending agreement in 2016 differed from the previous ones, because it required a period of two years to pass before notice could be given to pay off the loan early.

Mr B and Miss C did not realise about the change until after they had arranged to sell their house and buy another. As well as paying off the balance of the loan, the lender wanted them to pay two years' interest in advance. They complained to us that their sale and purchase were due to go through in a matter of weeks and they would be left with insufficient money to pay for the house they were buying.

In normal circumstances, we would not consider a complaint until the financial service provider has had a reasonable opportunity to investigate and respond. But the law under which we operate gives us discretion to waive this in exceptional circumstances. In view of the urgency of the property situation, we agreed to look at the complaint.

#### **Conclusion**

We managed to mediate a speedy settlement between the parties, enabling the sale and purchase to go through. Mr B and Miss C agreed to pay three months' (instead of two years') additional interest, and the private lender agreed to accept this.