



## Case Study: Non-Bank Credit

### LOAN APPLICANT INCURS LEGAL COSTS FOR WITHDRAWING FROM AGREEMENT

Themes: Legal costs; loan interest rates; suitability of loan agreement

This complaint relates to the fees incurred when Mrs K withdrew from a loan agreement with her credit provider.

In March 2018, Mrs K discussed a loan with a credit provider totalling £250,000 for a 12-month term to assist with a property development. In April 2018, the loan was approved and an offer letter with a quote for the credit provider's legal fees was sent to Mrs K. In April 2018, Mrs K signed and returned the offer letter detailing the interest rates and expected legal costs.

In May 2018, Mrs K contacted the credit provider to withdraw from the loan agreement on the basis that the interest rate and fees were higher than expected and requested a refund of the commitment fee paid.

The credit provider advised that the commitment fee was non-refundable and that the lawyers had already incurred costs which would be passed directly to Mrs K for settlement. An invoice from the lawyers was sent to Mrs K.

Mrs K complained to the credit provider who reconfirmed the costs that Mrs K had to pay. Mrs K brought her complaint to CIFO about the high interest rates, excessive legal costs and the unsuitability of the loan that had been discussed between her and her credit provider.

CIFO investigated and noted that the credit provider had advised, on a number of occasions, the interest rate of the loan to Mrs K prior to sending the offer letter. CIFO reviewed the correspondence and was unable to locate evidence for what Mrs K considered was the previously agreed interest rate.

CIFO also investigated the legal costs and found that Mrs K had signed the offer letter that agreed to pay the legal expenses incurred by the credit provider whether the loan went ahead or not. The credit provider's legal costs were just over half their original quoted estimate which CIFO deemed suitable for the work completed.

As Mrs K had signed the offer letter, which advised the terms of the loan and the associated costs if a draft loan agreement was completed. CIFO reviewed the draft loan agreement and felt it was suitable for Mrs K. Based on this information, CIFO did not uphold this complaint.