



Case study: Non-Bank Money Services/Credit

COMPLAINANTS REPAYMENT CONFUSION DUE TO UNCLEAR LOAN SETTLEMENT

Themes: Loan amortisation schedule; process and procedure; inadequate communication

A borrower became confused about their loan repayments due to the loan company's inadequate explanation of the applicable loan repayment charges.

In July 2019, Mr F approached a loan company to borrow money. Mr F said he was planning to pay off the loan early so he asked the loan company to explain to him how this would work for his loan. Mr F requested the loan company to provide him with a copy of the interest calculations or a loan amortisation schedule to demonstrate what he would need to pay if repaying the loan early. The loan company said it could not provide this but did advise Mr F that he would be charged a 6.25% flat rate of interest on the loan amount and, if Mr F made an early repayment, he would only be liable for the interest up to the months the loan ran for, along with a closure fee. Mr F agreed to take the loan and signed the loan agreement.

Mr F repaid the loan early, but he was unhappy with the amount he was required to pay. He said that the loan settlement information he was provided declared his original loan amount to be much higher than what he borrowed which meant more interest had been charged than should have been. Mr F complained to his loan company.

The loan company advised Mr F that their loan calculation was applied on an actuarial basis, which incorporated both the loan value and interest. Mr F complained that he was not provided with enough information at the outset, and he felt that the loan company had treated him unfairly. When Mr F requested a loan amortisation schedule, the loan company dismissed this request as it was not part of their process. The loan company said the interest rate had been applied correctly and that Mr F had received an interest rebate when repaying the loan early. Mr F was not satisfied with the loan company's response and referred his complaint to CIFO.

CIFO requested the loan company provide a full breakdown of the loan settlement calculation. This demonstrated that the interest and charges applied to the loan were correct. CIFO pointed out that the loan company was a signatory to Jersey's Code of Practice for Consumer Lending. Signatories to the code agree to provide and explain key information to customers including how interest is applied and, if the total amount of interest charged is changed, how and why. CIFO concluded the loan company had not provided this information when Mr F requested it.

CIFO mediated Mr F's complaint and recommended the loan company compensate Mr F £100 for the distress and inconvenience caused when the loan company failed to provide a clear breakdown of the loan settlement when requested. Both parties accepted.