



Case study: Non-Banking Money Services/Credit

COMPLAINANT BELIEVED LOAN TERMS WERE INADEQUATELY ADVISED

Themes: Loan consolidation; early repayment; promissory note; interest rebate.

This complaint relates to a complainant who believed they were misled about repayment terms when taking out a loan.

In October 2020, Miss P contacted her loan company where she had an existing loan. Miss P required an additional loan to consolidate some debt. After Miss P discussed this with her loan company, she decided to take out a second loan which would be used to repay her existing loan plus an additional amount, for an approximate total of £11,500. The terms of the second loan would mean Miss P would pay a reduced amount monthly, but over a longer term. Miss P inquired whether it was possible to repay the loan earlier and she was advised that this was possible, but that the total interest payable would remain the same unless the loan was settled in full before the end of the term, in which case Miss P would be eligible for a rebate of interest on the repaid amount. Miss P continued with her application for the consolidation loan.

In July 2022, Miss P contacted her loan provider to query what early repayment options were available and she was advised that if she paid more off each month, she would still be charged for the interest; but that if she repaid the loan in full, a rebate for 6-months' interest charges would be applied. Miss P complained to her loan provider as she believed she had been misled as she did not want to consolidate the first loan and thought that her first loan terms were being extended to include the second loan amount. Miss P also stated that she had not wanted a longer loan term and requested a refund of the interest charges with a calculation of the interest rebate from her first loan. She also asked for the loan company's policy regarding early repayment options and assurance that she would receive a 6-month interest rebate if she paid the second loan off in full. Miss P's loan provider was unable to satisfy her requirements and she referred her complaint to CIFO.

CIFO investigated and noted that Miss P's loan company had paid her approximately £500 as a rebate on the interest remaining from the first loan when it was repaid. CIFO also noted that Miss P had signed a 'promissory note' which set out the repayment terms of the second loan including the repayment value of the first loan and Miss P had not requested further information regarding the rebate of interest when she signed this. CIFO concluded that the loan company had provided clear terms regarding the second loan, had appropriately applied an interest rebate to the first loan, and that a consolidation of the first loan was the only affordable option Miss P's loan provider could accommodate. CIFO concluded that Miss P's loan company had also discussed a shorter loan term but had reasonably suggested the longer term would be a more affordable option for her. In relation to the early repayment terms, CIFO acknowledged that, at the time consumer lending in the Channel Islands was not subject to regulation. CIFO also did not find that the loan company had acted unreasonably in not providing evidence of a policy as the disclosure of the repayment terms and conditions to Miss P had been clear. Therefore, CIFO did not uphold the complaint.