

The complaint

Miss L complains that Amigo Loans Limited won't agree a repayment plan with her, and also complains about related issues.

What happened

In August 2019 Miss L entered into a regulated fixed sum loan agreement with Amigo Loans. She borrowed £4,500, which was to be repaid over five years in 60 monthly instalments of £177:86. The interest rate was 49.9% APR, the total amount repayable was £10,671:60 (of which £6,171:60 was interest). She was 24; her father guaranteed the loan.

Miss L later fell into financial difficulty, and in February 2023 her account fell into arrears. In August she offered to pay £10 a month, starting in September 2023. However, that payment was declined, and so Amigo Loans asked Miss L's father to repay the loan. Miss L, represented by Miss J, complained that Amigo Loans was refusing to work with her, and refusing to take into account the effect on her mental health. She also complained about Amigo Loans' decision to sell the debt.

Miss J says that Miss L has mental and physical health issues which make her vulnerable, and has suicidal thoughts. She has repaid the principal of the loan, and some of the interest, and so Miss J asked for the outstanding balance to be written off. She is worried about what her sister might do otherwise; her father cannot afford to repay the loan.

Amigo Loans did not agree that it had done anything wrong. It said it could not accept a repayment plan of £10 a month because the loan would not be repaid within a reasonable time – it would take 36 years. It was still willing to agree to a reasonable and realistic repayment plan with either Miss L or with her father, but £10 a month was neither. Her father was liable for the loan because he had agreed to guarantee it if Miss L could not repay it. Amigo Loans was in the process of winding down as a business, so it had to sell Miss L's loan (along with other loans).

Miss J then brought this complaint to our service, on behalf of Miss L. She argued that Amigo Loans was not complying with the Consumer Duty.

Our investigator did not uphold this complaint. He said:

- As Amigo Loans was winding down, it is no longer offering loans such as Miss L's. Therefore her loan was now a closed product, and so the Consumer Duty does not apply to it (it will not apply to closed products until 31 July 2024);
- It had been reasonable of Amigo Loans to decline to accept a repayment plan of £10 a month, due to how much debt remained outstanding;
- Throughout 2023, Amigo Loans had put several reduced payment plans in place;
- Amigo Loans has said that it will not stop Miss L making payments to the account if she wants to, but no payment has been made since February 2023, so it had been reasonable for Amigo Loans to turn to the guarantor for payment;
- If the guarantor cannot afford the loan payments, then he would have to raise that with Amigo Loans himself – he is not a party to this complaint; and
- The terms and conditions of the loan agreement say that Amigo Loans can sell the

loan to a third party.

(The investigator referred to some free debt advice charities which might be able to help Miss L.)

Miss J asked for an ombudsman to review this case. She maintained that neither Miss L nor her father could afford to pay more than £10 a month.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I do not uphold it. I will explain why.

I cannot consider a complaint about Miss L's father's inability to afford the loan payments, or about Amigo Loans' decision to ask him to make the payments, because he is not a party to this complaint. But that does not prevent me from taking into account the fact (which I have assumed to be true for the purposes of this case) that he cannot afford the payments, to the extent that that is relevant to his daughter's complaint.

If (which I accept) Miss L and her father cannot afford to pay more than £10 a month, that does not mean that Amigo Loans is obliged to accept a repayment plan of that amount or write off the debt. Amigo Loans has a duty to treat Miss L positively and sympathetically, to exercise forbearance, and to try to find ways to help her, but that does not necessarily extend to wiping out the debt, or to accepting token payments indefinitely. I think that Amigo Loans did what it could to help by freezing interest from February 2023, and by agreeing other payment plans during 2023. I do not think that Amigo Loans is refusing to work with Miss L just because it is unable to accept her proposal of paying £10 a month. It is still willing to accept any payments that she might make, but any proposed repayment plan has to be realistic.

The terms and conditions of the loan agreement include a clause that says "For business reasons, we may transfer our rights under this agreement without your permission." So I'm satisfied that Amigo Loans has authority to sell the loan to a third party, and that it has a legitimate business reason to do so – it is going to cease trading.

For these reasons, I do not think that Amigo Loans has done anything wrong.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 22 May 2024.

Richard Wood
Ombudsman