

## Case study

### Small loans can cause big problems

#### Background

Dorothy\* had taken out a series of small cash advance loans from a lender over a period of 12 years. She contacted FDRS as she had fallen behind in her payments and the loan was sent to a debt collector.

The customer alleged that the lender had improperly considered her loan applications, offered unsolicited credit increases, and wrongly taken her husband's income into account when assessing the affordability of repayments. She also alleged that fees and interest had been incorrectly calculated and charged on her account, and that the lender had failed to adequately communicate with her throughout the term of the loan. Across the life of the loans, Dorothy calculated that she had repaid more than three times the amounts loaned to her.

Dorothy asked for the matter to be investigated and that she be compensated for the alleged breaches. She also asked that the debt be transferred back from the debt collection agency to the lender and that the associated costs imposed by the debt collector be refunded to her.

#### Next steps

FDRS referred the matter to the lender, requesting their response. The lender contacted Dorothy directly to attempt to reach a resolution. They then responded to FDRS stating that Dorothy was confused and asserting that they had complied with all their obligations.

In response to the complaint, they pointed out that their client had not met her repayment obligations, that she had gone on to borrow two further sums from the lender since raising her complaint and that she had now requested that they cease contact with her. The lender alleged that they had made multiple offers to assist Dorothy but that these had been declined and they denied that they had failed to communicate with her.

Dorothy did not accept the lender's version of events and the matter remained unresolved.

FDRS deemed that the matter was within the jurisdiction of the scheme and a Resolution Practitioner was appointed. The Resolution Practitioner contacted the parties to explain our process and how we can assist. A conciliation was arranged so they could explore the issues and solutions together.

#### Outcome

With the help of the FDRS Resolution Practitioner the parties were able to communicate and negotiate. During the conciliation, together they reached a settlement which was formally recorded and agreed to by Dorothy and the lender. The terms included a revised debt collection fee and debt repayment schedule. The amount of the debt remained unchanged.

## Lessons learned

This complaint highlights the ability of alternative dispute resolution processes to bring parties together, even when they appear to have opposed and entrenched positions. The assistance of an independent and skilled practitioner can make a big difference.

This complaint also shows the need for both borrowers and lenders to document and retain records. Whenever conversations are had in person or over the phone, we advise lenders to follow up with written communication summarising the conversation shortly afterwards. This can help prevent misunderstandings at the time and saved copies of correspondence can also be useful down the track if a dispute arises.

*\* Names have been changed to protect our customers' identities*