FINANCIAL DISPUTE RESOLUTION

Reading the fine print: repayment protection fees in a credit contract

Robert took out a short-term loan and wanted to pay it back in full six months later. It was then that he looked at the loan paperwork and saw that he had been charged a loan processing fee, a broker fee, an administrative fee, and what he considered to be mandatory repayment protection insurance payments – after all it had been pre-selected when he signed the papers. But when he queried the fees with the loan company, he found out that the repayment plan was optional.

Robert complained to the finance company about what he felt were too many fees for a small loan with a high interest rate and that the repayment protection insurance plan had not been presented as optional.

FDRS worked with Robert and the finance company to resolve the issues as part of its early facilitation process. Robert admitted that he should have understood the loan documentation better before signing, helping him compare loans and ask questions about the reasonableness of the fees. The finance company agreed that it should not have pre-selected the repayment protection plan because this could have given the impression that the plan was not optional. The complaint was resolved by the finance company crediting Robert’s account for the repayment plan fees.