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It's been dubbed a legal loan shark by MPs, and now there is fresh alarm as Amigo hires more staff to chase down borrowers

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Controversial lender Amigo is hiring more call centre staff to chase struggling borrowers after a surge in the number of people falling behind on repayments.

Dubbed a 'legal loan shark' by an MP, the firm offers high-interest loans to customers who must designate a family member or friend as guarantor to pay back their debt if they cannot.

Yesterday Amigo revealed more borrowers had fallen into arrears, forcing it to write off more than £45m in bad loans in just six months.



Talking tough: Amigo was founded by millionaire James Benamor, and targets borrowers with a poor credit history

Around £54m of Amigo's loans were at least 31 days overdue at the end of September, up from £33m a year ago.

To reduce future losses, it said it would invest more in its collections department to chase payments.

Despite being heavily criticised for its business practices, desperate borrowers are flocking to Amigo.

It has gained almost 34,000 new customers over the past year – up 18 per cent to 222,800. But complaints about its practices have almost doubled during the period, forcing it to set aside £10.4m to cover payouts.

Founded by millionaire James Benamor, it targets borrowers with a poor credit history. It was hit by 226 complaints to the Financial Ombudsman Service in the six months to the end of September. Of these, 59 per cent were found in the customers' favour.

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Some borrowers have clawed back thousands of pounds from Amigo, the Mail understands, after saying it ran inadequate checks and that they should never have been given a loan as they had no chance of repaying it.

Wes Streeting, a former member of the Treasury select committee and Labour parliamentary candidate for Ilford North, said: 'I think it's worrying that people are turning to short-term, high-interest lenders in greater numbers, but also that the number of complaints is rising. These complaints suggest the problem is not going away. It's something that needs looking at urgently by the committee.'

Amigo's chief executive Hamish Paton, who took the helm last year, insisted the increase in call centre staff would enable it to provide a better service.

Borrowers can quickly run into difficulty. Someone taking a £4,000 loan from Amigo over the course of three years, at its maximum interest rate of 49.9 per cent, could end up with a £7,026 bill.



Baroness Ros Altmann, a former pensions minister, said: 'These kinds of loans are a significant concern. I think regulators need to look at this. A lot of people are going

to be feeling pressured into guaranteeing loans for family or friends, without realising the extreme interest rates.'

Stella Creasy, parliamentary Labour candidate for Walthamstow, hit out at Amigo two years ago saying: 'These legal loan sharks are trapping people in debt and need to be cracked down on.'

Amigo's loan book stands at £730.7m – up 8.8 per cent on the year.

Paton declined to give an update on the discussions with its founder Benamor, whose investment company Richmond Group requested a seat on the board this month.

Benamor quit Amigo over a year ago as reports emerged that he wanted to set up a rival.