

The complaint

Mr R complains that Nextcredit Limited was irresponsible to lend to him.

What happened

Mr R had three instalment loans from Nextcredit between April 2017 and August 2017 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Monthly Repayment</u>	<u>Due</u>	<u>Repaid</u>
1	11 Apr 2017	£200	55d	£132.36	5 Jun 2017	On time
2	6 Jun 2017	£500	177d	£161.18	30 Nov 2017	1 Jul 2017
3	9 Aug 2017	£400	114d	£171.76	1 Dec 2017	30 Aug 2017

Mr R says the loan repayments were unaffordable and had Nextcredit carried out better checks it would have seen he was reliant on short-term lending. He says he was gambling to try to make the repayments and borrowing from family members which was putting a strain on the relationships.

Nextcredit says it asked Mr R about his income and expenditure and checked his credit file. It says it verified the income figure he'd provided and its checks didn't give it any reason to suspect he was struggling financially.

Our adjudicator recommended the complaint should be upheld. He found that Mr R had at least three other short-term loans outstanding when he applied for loan 1 and said this should have indicated to Nextcredit that repayments on additional loans were likely to be unsustainable. Our adjudicator recommended that interest and charges should be refunded on the loans (plus 8% statutory interest) and that any associated adverse information should be removed from Mr R's credit file.

Nextcredit responded to say, in summary, that although Mr R had six active credit accounts at the time of the first loan application, only one of those could be confirmed as high-cost credit. It adds that conclusions cannot be drawn about the affordability of a loan based on the type or number of credit accounts a consumer holds. Nextcredit says the assessment wasn't detailed enough and did not take into account the checks it carried out on Mr R's individual circumstances.

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.

Nextcredit was required to lend responsibly. It should have made checks to make sure Mr R could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr R was borrowing, and his lending history. But there was no set list of checks Nextcredit had to do.

When Mr R applied for his first loan, I can see Nextcredit asked him for information about his income and expenditure and checked his credit file. Nextcredit says it calculated Mr R's disposable income to be at least £485 and, therefore, it says he could afford the repayments on the loans. But I can't see it's taken into account the outstanding loans that were showing on Mr R's credit file. I acknowledge Nextcredit says only one of those loans is clearly categorised as high cost credit, but I'm satisfied that there are at least two other short-term loans on Mr R's credit file. I say that because both are unsecured loans with terms of three or four months.

I also accept that Nextcredit says the existence of such loans does not necessarily make further lending unaffordable, although it is an indication that Mr R was struggling to manage his money. As a minimum, I'd have expected the information on Mr R's credit file to have prompted further checks of his financial circumstances. If Nextcredit had carried out such checks, I find it likely it would have found the monthly repayments on Mr R's existing short-term loans, plus the Nextcredit repayments, totalled around £600 per month. This is 40% of Mr R's declared income and, given what Nextcredit says about his disposable income, I don't consider it was responsible for Nextcredit to have approved the loans.

My final decision

My decision is that I uphold this complaint. Nextcredit Limited should:

- Refund all interest and charges that Mr R paid on loans;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- Remove any negative information about the loans from Mr R's credit file.

*HM Revenue & Customs requires Nextcredit to take off tax from this interest. Nextcredit must give Mr R a certificate showing how much tax it's taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 26 May 2020.

Amanda Williams
Ombudsman