

## **The complaint**

Mr I complains that MYJAR Limited lent to him in an irresponsible manner.

## **What happened**

Mr I took out three loans with MYJAR between May 2017 and May 2018. The loans were repayable in instalments. All of the loans have been repaid.

Our investigator looked into this complaint. He didn't think MYJAR was wrong to offer the first loan. But he didn't think it should have offered the second and third loans. So he asked MYJAR to pay compensation to Mr I.

MYJAR said it would pay compensation in relation to the third loan only. Mr I didn't agree to this. And so the complaint has been passed to me.

## **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.

We've set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

MYJAR needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure that Mr I could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that MYJAR should fairly and reasonably have done more to establish that any lending was sustainable for a consumer. These factors include the customer's income, the amount to be repaid and the number and frequency of loans. There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think it's important for me to start by saying that MYJAR was required to establish whether Mr I could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the relevant regulations define sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr I's complaint.

MYJAR has described the checks it carries out and how it uses the results of its credit checks when making its decision to lend. Mr I's first loan was for £500 and the instalment amounts he needed to pay each month were small relative to the disposable income he'd declared. Given these repayment amounts, and that this was Mr I's first loan with MYJAR, I don't think it would have been proportionate for MYJAR to ask him for the amount of information that would be needed to show the lending was unsustainable.

I think that when Mr I asked for his second loan MYJAR should have realised that it couldn't safely rely on the information Mr I was providing about his finances. This was only Mr I's second loan with MYJAR, but the amount increased significantly (to £1,600). He asked for the loan only a few days after he'd repaid the first loan. And while the monthly instalments (about £240) were slightly lower than for the first loan, this was because the repayments were spread over 12 months. This also meant Mr I had to be able to sustain these payments for longer.

It seems MYJAR didn't update its credit check in full in early June 2017, when Mr I took out the second loan. But it knew from its credit checks in May 2017 that what Mr I had said in his application (that he had three loans with monthly repayments of £250) wasn't right. The credit check results estimated Mr I's monthly debt repayments at £2,600 and then £1,500 later in May. MYJAR also modified Mr I's stated income downwards as the credit check didn't support it being accurate. MYJAR knew Mr I had opened a number of new accounts and had balance increases on existing accounts in the previous three months.

I think Mr I's request for a much larger loan so soon after repaying the first loan, combined with the results of MYJAR's credit checks, should have alerted it to the possibility Mr I was having trouble managing his money. I think MYJAR should have taken steps to independently check the true state of Mr I's finances.

There are a number of ways MYJAR could have checked Mr I's income, credit commitments and other outgoings. Mr I said he was self-employed, so I've looked at his bank statements as the most easily available evidence of his income and outgoings. Mr I's income in May 2017 was about £3,000 (it's not clear if this is net of tax). But he made payments to four other short term lenders during May 2017. And he made a significant number of payments to on-line gambling businesses.

I think if MYJAR had made proportionate checks, it would have known that Mr I was borrowing from other short term lenders. It would likely have known that Mr I had problems with gambling. It would have known that Mr I was unlikely to be able to sustainably repay further borrowing. Mr I paid interest and charges for loans he shouldn't have had. I think he lost out because of what MYJAR did wrong and it needs to put things right.

### **Putting things right**

I don't think MYJAR should have agreed to lend to Mr I after, and including, his second loan, taken out in June 2017. So MYJAR should:

- Refund any interest and charges paid by Mr I on his second and third loans.
- Add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement\*.
- Remove any adverse information recorded on Mr I's credit file in relation to his second and third loans.

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

### **My final decision**

My decision is that I uphold this complaint. I order MYJAR limited to take the steps and pay the compensation set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 15 July 2020.

Ruth Stevenson  
**Ombudsman**