

## Complaint

Mr L says Uncle Buck Finance LLP (trading as “Uncle Buck”) irresponsibly lent to him.

## Background

This complaint is two high-cost short term credit instalment loans that Uncle Buck provided to Mr L in August 2017 and October 2017.

Our adjudicator upheld Mr L’s complaint and thought that he shouldn’t have been provided with loan 2. Uncle Buck disagreed. So the complaint was passed to me.

## My findings

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 the key relevant rules, guidance and good industry practice - on our website.

Uncle Buck 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 Mr L 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 Uncle Buck should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a customer’s income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I’ve carefully considered all of the arguments, evidence and information provided. Having done so, I think that Uncle Buck should reasonably have seen that Mr L was unlikely to have been able to make his payments in a sustainable manner when it provided loan 2.

I say this because Mr L was provided with loan 2 a mere matter days after settling loan 1. Loan 2 was for a significantly increased amount and the information Uncle Buck obtained also appeared to suggest that it ought to have been aware Mr L also had a number of existing short term loans outstanding with other providers at this stage too. All of this leads me to think that Uncle Buck ought reasonably to have realised that Mr L was more likely than not unable to sustainably repay loan 2 and that it wasn't fair and reasonable for Uncle Buck to have provided this loan to him in these circumstances.

Mr L had to pay interest and charges on a loan that Uncle Buck shouldn't have provided him with. So I think that he lost out and Uncle Buck should put things right.

### **Putting things right – what Uncle Buck needs to do**

- refund all interest and charges Mr L paid on loan 2;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid to the date of settlement†;
- all adverse information regarding loan 2 should be removed from Mr L's credit file;

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

### **My final decision**

For the reasons given above, I'm partially upholding Mr L's complaint. Uncle Buck Finance LLP should pay Mr L compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 20 April 2020.

Jeshen Narayanan  
**Ombudsman**