

## The complaint

Ms W says Elevate Credit International Limited trading as Sunny lent to her irresponsibly. She says this affected her financially as she needed to borrow again to make the repayments. She says this caused her stress and anxiety.

## What happened

This complaint is about one running credit account and five instalment loans Sunny provided to Ms W between October 2014 and May 2015. Some of the information Sunny has provided about this lending is in the table below.

loan number	date started	amount borrowed	term (months)	date ended
1	03/10/2014	Running credit with a £500 credit limit.		30/01/2015
2	06/01/2015	£200	6	30/04/2015
3	16/01/2015	£100	6	02/03/2015
4	05/03/2015	£300	6	28/08/2015
5	20/04/2015	£100	6	04/06/2015
6	07/05/2015	£150	6	04/06/2015

Our adjudicator partially upheld the complaint. She thought that Sunny was wrong to have approved loan 6. Sunny agreed with the adjudicator and made an offer of compensation.

Ms W didn't agree with the adjudicator's opinion. As no agreement has been reached 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.

Sunny 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 Ms W 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 Sunny 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.

And the loan payments being affordable on a strict pounds and pence calculation might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. The industry regulator defines 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 Ms W's complaint. I've decided to uphold Ms W's complaint in part and have explained why below.

Sunny has accepted our adjudicators opinion about loan 6. Because of this I don't think there is any ongoing disagreement about this loan. So I won't be making a decision about this lending. I have included the compensation offered in my putting things right section below.

I've seen a record of the information Ms W provided when she completed her loan applications. Ms W said she had a monthly income of £1,800 and she had regular monthly credit expenses of between around £100 and £400. This would've likely left her with a reasonable disposable income. So the loan amounts would've seemed affordable to Sunny.

I haven't seen any further information that shows its likely Sunny was made aware of any financial problems Ms W might've been having. Or anything that would've prompted it to investigate her circumstances further.

Ms W has indicated that she had some financial problems. But she hasn't provided any further detail about what these were, and how they would've impacted on her ability to repay the loans. So I think it was reasonable for Sunny to rely on the information it obtained

And whilst it's now been agreed that Sunny shouldn't have approved loan 6 I think the lending pattern itself before this didn't indicate that Ms W was likely to be having financial problems. Ms W used the running credit account for a fairly short time and the amounts she borrowed weren't high. Ms W borrowed for around eight months in total over all of the loans and again the amount's weren't high. She didn't have any repayment problems.

So, overall in these circumstances, I think the assessments Sunny did for loans 1 to 5 were likely to be proportionate. I think its decision to lend for loans 1 to 5 was reasonable. I'm not upholding Ms W's complaint about loans 1 to 5.

### **Putting things right**

- refund all interest and charges Ms W paid on loan 6;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement\*;
- all entries about loan 6 should be removed from Ms W's credit file.

\*HM Revenue & Customs requires Sunny to take off tax from this interest. Sunny must give Ms W a certificate showing how much tax it's taken off if she asks for one.

### **My final decision**

For the reasons I've explained, I partly uphold Ms W's complaint.

Elevate Credit International Limited should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 24 July 2020.

Andy Burlinson  
**Ombudsman**