

## The complaint

Mrs M says S.D. Taylor Limited trading as Loans At Home (LAH) lent to her irresponsibly. She says that the representative didn't really consider her circumstances or the information she provided at the time of sale. If he had done she says LAH wouldn't have lent to her.

## What happened

Mrs M has two complaints at this Service. One about the conduct of the LAH representative and one about irresponsible lending. I'm only looking at the irresponsible lending complaint here.

This complaint is about six home collected loans LAH provided to Mrs M between December 2016 and April 2018.

loan number	date started	amount borrowed	term (weeks)	date ended
1	15/12/2016	£200	33	06/07/2017
2	27/04/2017	£200	33	09/11/2017
3	06/07/2017	£250	45	18/04/2018
4	09/11/2017	£250	45	written off
5	14/12/2017	£500	45	written off
6	11/04/2018	£400	45	written off

Our adjudicator partially upheld the complaint. She thought that LAH was wrong to approve loan 6.

LAH has said that it wrote off the outstanding amounts owing on loans 4, 5 and 6. And it said that Mrs M had made repayments of £84 on loan 6 when it did this. So it wrote off £316 of the capital Mrs M had borrowed.

LAH agreed with the adjudicator but said that no payment was due as Mrs M didn't repay all of the capital due for this loan. It said that it would amend Mrs M's credit file appropriately.

Mrs M disagreed with the adjudicator's opinion. She maintained that LAH didn't properly look at her circumstances at the time of sale.

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.

LAH 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 Mrs M 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.

### **Why I think LAH's checks were proportionate for loans 1 to 4**

I've seen a record of the information Mrs M provided when she completed her loan applications for these loans. Mrs M said she had a weekly income of between £450 and £550. And she had regular monthly outgoings of around £150 to 250. So, this would give her a weekly disposable income of at least £200 and possibly more.

The weekly loan repayments of £10 for each loan were modest. And they were a small proportion of her income even when Mrs M was repaying more than one loan at a time. So it would've been reasonable for LAH to think that Mrs M would afford the loan repayments. I think this is still the case over what is a longer period of time to commit to making the repayments over.

I haven't seen any further information that shows its likely LAH was made aware of any financial problems Mrs M might've been having. Or anything else that would've prompted it to investigate her circumstances further for these first four loans. So, I think it was reasonable for LAH to rely on the information it obtained.

So overall, in these circumstances, I think the assessments LAH did for loans 1 to 4 were proportionate. And I think its decisions to approve these loans were reasonable and I'm not upholding Mrs M's complaint about them.

### **Why I don't think LAH's checks were proportionate for loan 5 and what proportionate checks would've shown**

Going forward Mrs M continued to lend. She had now been borrowing for around a year and loan 5 was a commitment to make repayments for another 45 weeks. I think this is a significant amount of time.

So I think LAH could've realised at that time that Mrs M may have some longer term financial problems and she wasn't just using the loans to manage, for example, cyclical income fluctuations. LAH should've also become concerned about whether it knew enough about Mrs M's true financial situation.

I think that it would've been proportionate to fully review Mrs M's financial situation. And I think that it needed to verify the information it found out where possible. As far as I can see I don't think LAH did this.

But Mrs M has been unable to supply any substantial further information about her circumstances at the time of loan 5. Because of this I'm unable to say what further checks would've shown LAH and that LAH was likely to have found out that the lending was unaffordable. So I'm not upholding Mrs M's complaint about loan 5.

### **Loan 6**

Our adjudicator thought that LAH was wrong to approve loan 6. LAH agreed to this. I agree that LAH shouldn't have approved this loan for the same reasons as the adjudicator. As there is no longer any disagreement about this lending I won't comment further on this loan.

### **Putting things right**

As our adjudicator outlined where a loan has been irresponsibly lent then, ordinarily, a business should refund any interest and charges that the consumer has paid on this loan. But all of the repayments Mrs M made went towards the capital and she didn't pay an interest or charges. LAH has written off the remainder of the balance. As she did not pay any fees or charges on this loan there is no refund to be made.

But any information recorded about loan 6 is adverse. So all entries about loans 6 should be removed from Mrs M's credit file.

### **My final decision**

For the reasons I've explained, I partly uphold Mrs M's complaint.

S.D. Taylor 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 Mrs M to accept or reject my decision before 5 October 2020.

Andy Burlinson  
**Ombudsman**