

The complaint

Mr L complains that Stagemount Limited lent to him in an irresponsible manner.

What happened

Mr L took out one loan for £600 with Stagemount in April 2018. Mr L agreed to repay the loan over 6 monthly instalments of £187.52. Mr L says that at the time of taking out the loan he was struggling with a number of other short-term loans and was gambling. He wasn't able to repay what he borrowed. Mr L says that proper checks would've revealed that he was struggling, and the money should never have been lent.

Mr L's complaint has been assessed by one of our adjudicators. He sent a letter to both parties where he didn't uphold Mr L's complaint. He concluded that Stagemount didn't need to carry out any further checks at the time it granted the loan to Mr L and didn't do anything wrong.

Mr L didn't agree and said in summary that the business had a legal obligation to carry out appropriate affordability checks and ensure that the loan was affordable and sustainable for him.

So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide

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 so I'm not going to repeat them in this decision.

Stagemount 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 L could repay the loan 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 Stagemount should fairly and reasonably have done more to establish that any lending was sustainable for a 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.

Stagemount did a number of checks before it lent to Mr L. It asked him for details of his income and his normal expenditure. It verified his income by asking for a copy of his payslip. And it then used this information to calculate how much disposable income Mr L had left over each month. Stagemount also used a credit reference agency to gather some more information about Mr L's financial situation at that time and related it to the information he had provided in his application.

Mr L has told our service that his finances were under significant pressure at the time he applied for the loan with Stagemount and that it should have picked up on this. But this was the first time Mr L had approached Stagemount for a loan for a significant period of time from what I have seen. I don't think there was any reason for Stagemount to doubt the information Mr L had provided about his income and expenditure.

In addition, I have seen results from the credit checks that Stagemount carried out at the time. These checks failed to show any information that might have suggested Mr L was having problems managing his money. The checks didn't show any concerning information such as a reliance on other short-term loans, or delinquent or defaulted accounts.

In saying that I think it is important to note that, generally, the information a consumer might see, when they request a copy of their credit file, might be very different to that seen by a lender. A lender might only see a small portion of the credit file, or some data might be missing or anonymised, or the data might not be up to date. So, this may explain why Mr L says that he was having problems managing his money at the time the loan was granted but this was not reflected in the credit search information collated by Stagemount at the time.

The repayments that Mr L had agreed to make on his loan were relatively modest compared to the disposable income that he'd declared to Stagemount. And based on what he had told Stagemount and the credit checks it carried out, the repayments appeared to be easily affordable. So given these repayment amounts, what was apparent about Mr L's circumstances at the time, and his lack of borrowing history with the lender, I don't think it would've been proportionate for Stagemount to ask him for the amount of information that would be needed to show the lending was unsustainable. So, I don't think Stagemount was wrong to give this loan to Mr L.

I don't doubt that Mr L was in difficulty and I understand why he provided inaccurate information about his circumstances. But based on all of the information available to Stagemount at that point, there was no reason for it to doubt what Mr L was saying about his finances or ask for the type of information, such as bank statements, that would have revealed the difficulty Mr L was in.

Stagemount has agreed to remove any negative information from Mr L's credit file as a gesture of good will which I consider is fair and reasonable and more than I can ask it to do in the circumstances.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 12 March 2021.

Emma Boothroyd
Ombudsman