DRN-2781614

The complaint

Mr T complains The One Stop Money Shop Limited ("Money Shop") lent to him irresponsibly.

What happened

Mr T took one loan with Money Shop in June 2019. The loan (£800) was arranged over 12 months with monthly instalments of £126.67. I understand the loan was fully repaid on 12 August 2020.

Our adjudicator didn't think it was wrong for Money Shop to have lent the loan. He felt there wasn't enough information to suggest the loan was unsustainable, or that Money Shop needed to verify Mr T's income or expenses before it lent.

Mr T didn't agree with the adjudicator's findings. In summary, Mr T says that Money Shop shouldn't have lent as:

- he'd borrowed over £3,200 from seven other pay day loan companies in the three months prior to the loan;
- he was borrowing from friends and family;
- he had a severe gambling problem at the time which led to his need to take out loans;
- if more checks had been carried out by Money Shop, such as a request for bank statements, it wouldn't have lent as the further checks would have indicated the loan was unaffordable.

As no agreement has been reached, the case has been passed to me for a final decision.

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

Money Shop had to assess the lending to check if Mr T could afford to pay back the amount he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Money Shop's checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr T's income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Money Shop should have done more to establish that any lending was sustainable for Mr T. These factors include:

- Mr T having a low 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 amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Mr T having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr T coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

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

Money Shop was required to establish whether Mr T could *sustainably* repay his loan – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr T was able to repay his loan sustainably. But it doesn't automatically follow that this is the case.

The Financial Conduct Authority (the industry regulator) says in the Consumer Credit Sourcebook ("CONC") that payments are sustainable if they are made without undue difficulties and in particular, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr T's complaint.

The loan of £800 was due to be repaid through twelve instalments of £126.67. Mr T declared an income of £2,500 and expenditure (for example, for mortgage/rent, council tax, telephone/broadband, other loans and other expenses) of £1,550.

I can see that Money Shop had sight of a recent payslip which suggested Mr T's income declaration was accurate. So I'm satisfied Money Shop had a fairly clear idea of Mr T's income.

Money Shop also carried out a credit check before it lent but this didn't seem to reveal any significant adverse information to indicate that further checks ought to have been completed. As Mr T has suggested, there was an indication of other short-term lending activity. But at the point of lending, the credit check only revealed two short-term loans had been taken out in the last 6 months and one outstanding short-term loan with a balance that didn't seem to be particularly concerning.

It would be helpful for to explain that 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 any differences between the information Money Shop saw and what Mr T says should've been seen.

So, considering the expenditure declared by Mr T of £1,550 (which included what he told Money Shop about his other loan commitments), this left a disposable income of £950 before repayment of the monthly instalment of £126.67.

Overall therefore I don't think it was unreasonable for Money Shop to lend as repayment of the loan would've seemed affordable and sustainable for Mr T.

I'm sorry to hear that Mr T was struggling financially and repaying the loan has proved difficult. And I accept that Mr T's full financial circumstances may not have been reflected in the information he provided. And it might be that Mr T's actual financial position may well have been apparent if further information – such as bank statements – had been obtained.

But I don't think it had reached the point either in the lending relationship or based on what Money Shop knew about Mr T, that meant it needed to verify the information. So, I don't think that it could or should have known that Mr T may have been having financial difficulties at the time it lent the loan.

It is of course possible that, had Mr T continued to borrow from Money Shop, then it may have needed to have carried out further, more in-depth, checks which may have involved asking for evidence of his financial position. But considering Mr T took one loan and this appeared affordable, I don't think Money Shop was wrong to have provided it.

Looking at all this together, I agree with the adjudicator that I don't think that Money Shop was wrong to approve Mr T's loan.

I appreciate this decision will come as a disappointment to Mr T but I hope my explanation helps him understand why I have come to the decision that I have.

My final decision

For the reasons I've explained above, I'm not upholding Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 14 June 2021.

Robert Walker
Ombudsman