

Complaint

Mr U has complained that Match the Cash Limited ("Match the Cash") unfairly brought about an unaffordable guarantor loan for him. He said the loan was unaffordable and this would have been obvious if reasonable checks had been carried out.

Background

Match the Cash operated the electronic system in relation to lending which led to Mr U being provided with a guarantor loan in February 2020. The loan was for £3,000.00. The loan had a 36-month term and an APR of 48.9%. This meant that the total amount of £5,226.12, including interest of £2,226.12, was due to be repaid in 36 monthly instalments of £145.17.

One of our investigators reviewed this complaint and thought Match the Cash unfairly approved this loan. Match the Cash disagreed and asked for an ombudsman's decision.

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 unaffordable/irresponsible lending - including the key rules, guidance and industry codes of practice - on our website. And I've referred to this when deciding Mr U's complaint.

Having carefully considered everything, I'm upholding Mr U's complaint. I'll explain why in a little more detail.

I consider it is fair and reasonable to expect Match the Cash to have carried out reasonable enquiries into Mr U's circumstances to check that he'd be able to make the payments to this loan before arranging it. As I understand it, Match the Cash enquiries suggested Mr U was employed and earning around £1,900.00 a month.

Match the Cash also says Mr U was single with no dependants and living with his parents. Mr U also said his only credit commitment was a hire purchase agreement which he paid £100 a month to. But I've also seen that Match the Cash carried out a credit check which showed Mr U had defaulted on, at least, 4 separate accounts and owed close to £9,000.00. And 29 separate searches, most likely as a result of applications for credit, were carried out on Mr U in the 12 months leading to the application for this loan.

Given these circumstances, I would have expected further enquiries and for further evidence on Mr U's financial circumstances to have been requested in order for it to have been fair and reasonable for Match the Cash to have approved this loan. Match the Cash says Mr U said that his missed payments had all been cleared and the reason he fell into arrears was because he was off work the previous October. But I don't think this was plausible bearing in mind the number of defaults and Mr U's credit file showed his difficulties predated the explanation provided regarding his employment situation.

So I think that Match the Cash needed to obtain further information from Mr U to better understand his financial position before bringing about this loan for him. I think that had this information been requested, Match the Cash would more likely than not have discovered that Mr U was already spending more than he earned and so had no disposable income. And the real reason for his previous credit difficulties was because he was gambling significant sums of money. In these circumstances, I think Match the Cash ought to have realised that Mr U was simply unlikely to be able to make the payments to this loan without experiencing financial difficulty or borrowing further. And as this is the case, I find that Match the Cash's failure to properly look into Mr U's circumstances meant that it didn't act fairly and reasonably towards Mr U when it brought about this guarantor loan for him.

As Mr U is being expected to pay interest and charges on a guarantor loan brought about by Match the Cash failing to act fairly and reasonably towards him, I'm satisfied that Mr U lost out because of what Match the Cash did wrong. So I think that Match the Cash needs to put things right.

Fair compensation – what Match the Cash needs to do to put things right for Mr U

Overall and having considered everything, I think it is fair and reasonable for Match the Cash to put things right for Mr U in the following way:

- refund all the interest, fees and charges Mr U paid on this loan;
- add interest at 8% per year simple on any interest, fees and charges paid from the date they were paid by Mr U to the date of settlement†;
- remove any adverse information recorded on Mr U's credit file as a result of this loan.

† HM Revenue & Customs requires Match the Cash to take off tax from this interest. Match the Cash must give Mr U a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons I've explained, I'm upholding Mr U's complaint. Match the Cash Limited should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 22 February 2022.

Jeshen Narayanan
Ombudsman