

## The complaint

Miss D says S.D. Taylor Limited trading as Loans at Home (LaH), irresponsibly lent to her. She says that she struggled to repay the lending and she was frequently offered new loans before the ones she was repaying had ended. She said she had to keep borrowing to repay these loans.

## What happened

This complaint is about 15 home collected loans LaH provided to Miss D between September 2015 and May 2018. Some of the information I have been provided about the lending is in the table below.

Loan	Date Taken	Amount	Instalments	Date Repaid
1	24/09/2015	£225	23	25/02/2016
2	17/12/2015	£200	33	09/06/2016
3	11/02/2016	£300	33	01/09/2016
4	09/06/2016	£300	33	22/12/2016
5	01/09/2016	£300	33	16/02/2017
6	03/11/2016	£500	45	03/08/2017
7	22/12/2016	£300	33	03/08/2017
8	16/02/2017	£500	45	12/10/2017
9	03/08/2017	£500	45	05/04/2018
10	03/08/2017	£300	33	05/04/2018
11	24/08/2017	£250	45	05/04/2018
12	12/10/2017	£500	45	30/05/2018
13	05/04/2018	£250	45	07/11/2018
14	05/04/2018	£750	45	10/04/2019
15	30/05/2018	£500	45	10/04/2019

LaH has looked at this complaint and it said that, due to the lack of information it had, it would pay compensation for loans 1 to 3. It didn't think that the remainder of the loans were lent irresponsibly.

Our adjudicator upheld Miss D's complaint in part. She didn't disagree that LaH should pay compensation for loans 1 to 3. But she wasn't persuaded that loans 4 and 5 were mis-sold. Looking forward, she thought that loans 6 to 15 shouldn't have been given. This is because, in her view the lending pattern itself seemed harmful from loan 6 onwards.

LaH disagreed. It said that Miss D borrowed modest amounts each year and the loans looked to be affordable. She only used one form of credit and the repayments were no higher than 27% of her declared income. She didn't have significant problems repaying the loans. So, it didn't agree that the lending pattern looked to be harmful.

As no agreement was reached the complaint has been passed to me, an ombudsman, to issue a 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 irresponsible lending – including all of the relevant rules, guidance and good industry practice – on our website. Broadly speaking, this all means that LaH needed to take reasonable steps to ensure it didn't lend irresponsibly. In practice, this means it should have carried out proportionate checks to make sure Miss D could repay her loans in a sustainable manner. Additionally, there may come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

Applying this to the circumstances of this particular complaint, I have reached the same outcome as our adjudicator, for essentially the same reasons.

Miss D didn't disagree with LaH's offer to pay compensation for loans 1 to 3. And she didn't disagree with our adjudicator's opinion not to uphold loans 4 and 5. Because of this, I don't think there is any ongoing disagreement about these loans. And I don't disagree with these outcomes for the same reasons as LaH and the adjudicator said. I've included loans 1 to 3 in my putting things right section below.

And these loans were part of the borrowing relationship Miss D had with LaH. So, they are something I will take into account when considering the other loans she took.

I've considered the pattern of lending up to loan 6 and I think the loan history and pattern of lending itself demonstrates that further lending was likely to be unsustainable. So, I think LaH was irresponsible to continue lending after this point.

This is because:

- Miss D had taken out six loans over 14 months. Her first loan was for £225 and loan 6 was for £500.
- So, Miss D had a significant, and rapid, increase in the use of this type for credit right from the start. And the led to, for example, Miss D taking four loans in 2016 which totalled £2,100.
- And right from the start Miss D was provided with a new loan when she hadn't fully repaid the loans she had. It's notable that at loan 6 she hadn't repaid loans 4 and 5. The ongoing repayments of £50 a week would take up a large part of her disposable income which was about £120 a week.
- So, by loan 6, LaH ought to have known that Miss D was not likely borrowing to meet a temporary shortfall in her income but to meet an ongoing need. And that she wasn't managing to repay her loans sustainably.
- LaH seems to be saying that because Miss D was paying her loans on time then it was still reasonable to lend. But I can see that by 2018 she was nearly £300 in arrears. So, I don't think that she was always paying her loans on time and it's clear that she was experiencing problems. And I think that LaH could've expected this would've happened, given the earlier loan history.

I don't think LaH should've provided loans 1 to 3 and loans 6 to 15 to Miss D. And I'm upholding her complaint about these loans.

## **Putting things right**

In deciding what redress LaH should fairly pay in this case I've thought about what might have happened had It not lent loans 1 to 3 and 6 to 15. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Miss D may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between her and this particular lender which she may not have had with others. If this wasn't a viable option, she may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, she may have decided to approach a third-party lender with the same application, or indeed a different application (i.e. for more or less borrowing). But even if she had done that, the information that would have been available to such a lender and how she would (or ought to have) treated an application which may or may not have been the same is impossible to now accurately reconstruct. From what I've seen in this case, I certainly don't think I can fairly conclude there was a real and substantial chance that a new lender would have been able to lend to Miss D in a compliant way at this time.

Having thought about all of these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Miss D would more likely than not have taken up any one of these options. So, it wouldn't be fair to now reduce LaH's liability in this case for what I'm satisfied it has done wrong and should put right.

LaH shouldn't have given Miss D loans 1 to 3 and loans 6 to 15.

A) LaH should add together the total of the repayments made by Miss D towards interest, fees and charges on these loans, including payments made to a third party where applicable, but not including anything it has already refunded.

B) LaH should calculate 8% simple interest\* on the individual payments made by Miss D which was considered as part of "A", calculated from the date Miss D originally made the payments, to the date the complaint is settled.

C) LaH should pay Miss D the total of "A" plus "B".

D) LaH should remove any adverse information it has recorded on Miss D's credit file in relation to loans 1 to 3. The overall pattern of Miss D's borrowing for loans 6 to 15 means any information recorded about them is adverse, so it should remove these loans entirely from Miss D's credit file. If LaH has sold any of the loans LaH should ask the debt purchaser to do the same.

\*HM Revenue & Customs requires LaH to deduct tax from this interest. LaH should give Miss D a certificate showing how much tax LaH has deducted, if she asks for one.

## **My final decision**

For the reasons given above, I'm partially upholding Miss D's complaint.

S.D. Taylor Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 4 April 2022.

Andy Burlinson  
**Ombudsman**