

Complaint

Mr J has complained that Match the Cash Limited ("Match the Cash") unfairly brought about unaffordable guarantor loans for him. He says that reasonable checks would have shown that he was already struggling and providing further high cost lending worsened his financial situation.

Background

Match the Cash operated the electronic system in relation to lending which led to Mr J being provided with guarantor loans in February 2016 and December 2017. Loan 1 was for £5,000.00. The loan had a 24-month term and an APR of 48.9%. This meant that the total amount of £7,373.76, which included interest, fees and charges of £2,373.76, was due to be repaid in 24 monthly instalments of £307.24. This loan was repaid in full in December 2017 with some of the proceeds from loan 2.

Loan 2 was for £7,500.00. The loan had a 36-month term and an APR of 48.9%. This meant that the total amount of £13,065.48, which included interest, fees and charges of £5,565.48, was due to be repaid in 36 monthly instalments of £362.93.

Mr J's complaint was reviewed by one of our investigators. She thought that Match the Cash unfairly approved Mr J's loans. So she upheld the complaint. As Match the Cash disagreed with our investigator's view, the complaint was passed to an ombudsman for a final 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.

Having carefully considered everything, I consider it is fair and reasonable to expect Match the Cash to have carried out reasonable enquiries into Mr J's circumstances to check that he'd be able to make the payments to this loan, before bringing it about.

As I understand it, Match the Cash enquiries suggested that Mr J was employed and earning just over £4,000.00 a month. This was verified with payslips. I understand that Match the Cash also carried out credit checks which, at the time he applied for loan 1, showed Mr J had balances on defaulted accounts which were over £10,000.00. The credit checks also showed Mr J had 13 delinquent accounts in the past 12 months and revolving credit balances at 132% of his credit limits. Match the Cash also appears to have been aware that Mr J had completed a trust deed the year before.

The credit check for loan 2, showed the balances on Mr J's defaulted accounts had decreased to just over £3,000.00 but the balances on his active accounts had increased to well over £20,000.00. Mr J's credit limits were only at 73% of his credit limits at this stage too. Finally, this credit search also showed that 12 separate searches, most likely as a result of applications for credit, were carried out in the 12 months leading to the application for this loan.

Having considered these circumstances, I would have expected further enquiries and for further evidence on Mr J's financial circumstances to have been requested in order for it to have been fair and reasonable for Match the Cash to have approved these loans.

In my view, Match the Cash appears to have placed a great deal of weight on the fact that Mr J had an above average income. But I think that it has failed to consider this in the context of what it found out about Mr J from the credit searches it out. And I think that it ought to have been concerned about the fact that Mr J had active defaults and had previously been in a Trust Deed despite having a high monthly income, rather than being reassured by this.

Match the Cash has said that our investigator failed to take account that Mr J's defaulted balances decreased in the period between loans 1 and 2 and that he wasn't using an overdraft. But I think that it was more a case that some of Mr J's defaulted accounts fell off his credit file, rather than the case that he was in a materially better financial position. And even if this isn't the case, it's clear that Mr J's indebtedness elsewhere had increased. So any reduction in Mr J's default balances was, at the very least, down to further borrowing rather than an improvement in his financial position.

Equally while having a high overdrawn balance can be a sign of financial difficulty. I don't think Mr J's lack of an overdrawn balance here demonstrates that he was in a strong financial position. I say this while especially mindful that Mr J's previous difficulties repaying credit appear to have led to his bank from declining to provide him with an overdraft in the first place.

Finally, I don't think that it was reasonable for Match the Cash to have simply accepted Mr J's word that the increase in his indebtedness at the time of loan 2, was down to him fronting a hire-purchase agreement for his son. This is especially as loan 1 was supposed to be for consolidation purposes and should have decreased his indebtedness from that point, rather than increase it.

So given what Match the Cash knew about Mr J at the time it was arranging these loans, I think that Match the Cash needed to obtain further information from Mr J to better understand his financial position and the reason for the mismatch between his monthly income and what his credit file was showing. I think that had this information been requested, Match the Cash would more likely than not have discovered the real reason for his previous credit difficulties, the fact that he was already struggling to keep up with his existing credit commitments and incurring returned direct debits as a result.

In these circumstances, I think that Match the Cash ought to have realised that Mr J was simply unlikely to be able make the payments to these loans without borrowing further, or experiencing financial difficulty. And as this is the case, I find that Match the Cash's failure to further consider Mr J's circumstances meant that it didn't act fairly and reasonably towards Mr J when it brought about these guarantor loans for him.

As Mr J ended up paying interest and charges on guarantor loans brought about by Match the Cash failing to act fairly and reasonably towards him, I'm satisfied that Mr J lost out because of what Match the Cash did wrong. And 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 J

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

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

† HM Revenue & Customs requires Match the Cash to take off tax from this interest. Match the Cash must give Mr J 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 J'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 J to accept or reject my decision before 27 September 2022.

Jeshen Narayanan
Ombudsman