

Complaint

Mr S has complained that Match the Cash Limited (“Match the Cash”) unfairly brought about an unaffordable guarantor loan for him.

Background

Match the Cash operated the electronic system in relation to lending which led to Mr S being provided with a guarantor loan in July 2019. The loan was for £3,500.00, had a 24-month term and an APR of 69.0%. This meant that the total amount of £5,777.52, including interest, fees and charges of £2,277.52, was due to be repaid in 24 monthly instalments of £240.73.

One of our investigators looked at Mr S’ complaint and thought that Match the Cash unfairly approved Mr S’ 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.

Having carefully considered everything, I consider it is fair and reasonable to expect Match the Cash to have carried out reasonable enquiries into Mr 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 S was employed and earning between £1,600.00 and £1,700.00 a month. This was verified with three months’ worth of Mr S’ bank transactions. I understand that Match the Cash also carried out a credit check which showed Mr S had 6 active accounts – one of which was to a guarantor loan provider. And that 17 separate searches, most likely as a result of applications for credit, were carried out in the 3 months leading to the application for this loan. Mr S also had a significant and extended history of using payday style loans. Finally, although Mr S was renting he was sharing the living costs with other family members.

Having considered these circumstances, I would have expected further enquiries and for further evidence on Mr 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. In my view, Match the Cash needed to understand why Mr S had such a history of payday style lending and appeared to be making as many applications for credit as he was despite his living expenses appearing to be relatively low. I think this was especially important given just how indebted Mr S was already and this loan would ensure over half of his income would be going to repayments to credit.

So I think that Match the Cash needed to obtain further information from Mr S 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 S was already struggling to keep up with his existing credit commitments. Indeed, he appears to have been borrowing from a payday style lender for an extended period in an attempt to try and keep up with his existing commitments.

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

As Mr S ended up paying 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 S 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 I think that Match the Cash needs to do to put things right for Mr S

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

- refund all the interest, fees and charges Mr S 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 S to the date of settlement†;
- remove any adverse information recorded on Mr 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 S 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 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 S to accept or reject my decision before 27 September 2022.

Jeshen Narayanan
Ombudsman