

## The complaint

Mr S has complained that Mobile Money Limited ("MML") was irresponsible to have agreed credit for him.

## What happened

MML provided Mr S with a loan of £1,000 in June 2017. The total amount of £2,094, including interest and charges, was to be repaid in 18 monthly instalments of £116 (all figures rounded).

This was a 'log book' loan, in other words it was granted on the basis that Mr S provided MML with a bill of sale for his car. This meant that if he didn't make his loan repayments MML could potentially recoup its losses through the sale of his vehicle.

I understand Mr S didn't manage to meet his repayments from the outset and fell into arrears. The statement of account shows weekly payments of £50 in April, May and June of 2018. No payments were recorded from 8 June 2018. By January 2019 MML had recovered and sold Mr S's car and credited the sale proceeds to the loan account. This left an outstanding balance of over £1,700.

Mr S said that MML didn't ask for sufficient documentation before lending to him, for example he wasn't asked to provide his bank statements. Had MML done so it would have seen that he gambled large amounts of money and wouldn't have agreed to lend to him. Mr S also says that he was struggling with his mental health at the time and taking out this loan had a disastrous impact on him. He says that he has now repaid over 95% of the capital he borrowed and the outstanding balance is interest owing. He would like MML to close his account and remove all record of the loan from his credit file.

MML doesn't agree that it was irresponsible to have agreed a loan for Mr S and that it carried out proportionate checks before doing so. It says it asked him for proof of income and while there was some adverse information on his credit file it wasn't unusual to see this from its applicants. MML says that it recovered and sold Mr S's car as a last resort following a prolonged period of no contact from him.

One of our investigators looked into Mr S's complaint and didn't recommend that it be upheld. They found that MML had carried out proportionate checks before lending to Mr S and it didn't find anything that should have caused concern. They concluded that MML wasn't irresponsible to lend to Mr S. Mr S didn't accept this recommendation and asked for his complaint to come to an ombudsman to review and resolve.

MML has confirmed that as of May 2022 the outstanding balance is over £1,600 and that it is willing to offer a short settlement of £571 which, if paid in full, would settle and close the account. Mr S says that he is in a repayment plan with MML for about £40 a month and cannot afford to repay the offer amount in full.

## **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.

MML will be aware of the relevant rules and regulations, so I will summarise its obligations. Before agreeing credit for Mr S, MML needed to check that he could afford to meet his repayments sustainably, in other words out of his usual means without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks needed to be proportionate to the nature of the credit and to Mr S's circumstances.

The regulations in place at the time stated that a lender needed to take steps to ensure that the information it relied on was complete and correct and must not accept an application for credit where it suspects the consumer has not been truthful. The overarching requirement was that MML needed to pay due regard to Mr S's interests and treat him fairly. CONC 2.2.2G(1) gave an example of contravening this requirement as "targeting customers with regulated credit agreements which are unsuitable for them by virtue of their indebtedness, poor credit history, age, health, disability or any other reason."

Having considered everything, I have decided not to uphold Mr S's complaint. I appreciate that this will be very disappointing for him and I hope the following clearly explains how I've made my decision.

MML spoke with Mr S several times to discuss the details of his application, including what he'd said about his income and expenditure. Mr S told MML that he was self-employed and had recently finished one contract and started another. Mr S provided a letter from his current contractor dated 9 June 2017 as proof. This set out his rate of pay and the contract duration. Mr S also provided a payslip dated 19 June 2017 which confirmed a gross weekly pay of £690, and an amount of £552 net of 20% deduction for tax purposes. He explained to MML on a call that he worked under CIS (the Construction Industry Scheme) where contractors deduct money from subcontractors, such as himself, to pay directly to HMRC.

Mr S says that MML knew he was self-employed and should have checked his accounts, tax returns or his bank statements before lending to him. However, Mr S had told MML that he was paid under CIS, which his payslip confirmed so I don't think MML ought to have been concerned about future tax payments. Altogether, I think it did enough to check that Mr S's income was as he'd said.

MML provided a copy of the credit file report it used in its assessment. This showed that Mr S had about £1,300 of existing debt, most of which was in default. Mr S had three defaulted accounts from 2014, a credit card default from early 2016 and a recent defaulted current account. MML asked Mr S about these and he explained that the outstanding balance owing on the recently defaulted current account (£166) was due to bank charges which he disputed and that he was repaying one of the other debts via a county court judgement for £454 awarded in May 2016. I think MML was right to ask about these more recent defaults because if Mr S was having problems managing his money at the time then it might mean he'd have problems meeting his repayments for this loan in a sustainable manner. Given Mr S's explanation and the relatively small amounts involved, I think MML did enough here to consider this risk to Mr S.

Mr S said that he had no dependents, that he lived with his parents and paid them a fixed amount of £20 a week to cover his household expenses. The credit file search that MML conducted confirmed his address and that he lived with family. It seems reasonable to accept that Mr S might have had fewer household costs than someone in other circumstances and his credit file showed he had very little active debt. Mr S's main costs

were mobile and internet charges, car, food, clothes, and entertainment. He told MML that he spent about £600 a month on entertainment, which included socialising and eating out. MML estimated that Mr S had about £460 left over each month.

MML asked Mr S on a call whether he had any other expenses as this seemed to be a relatively large monthly surplus. Mr S explained that he spent his money on socialising and holidays. He said he went on holidays several times a year and was borrowing to finance his next holiday as he'd had about four weeks of not working between contracts. I understand that Mr S had initially provided payslips from his previous contract to MML before it asked him for proof of his current contract. So there wasn't anything in the information it had which contradicted his explanation.

Bearing in mind that Mr S could potentially lose his car if he was unable to meet his repayments over the loan term, I think MML was right to ask Mr S to verify the information he provided. I think MML took reasonable steps to verify Mr S's income and his existing credit commitments. From the information I've seen the loan repayments would have appeared affordable for Mr S and they were not so high relative to his income that there was a clear risk he wouldn't be able to meet them over the loan term while meeting his other commitments. While there were some indicators of financial difficulty in the information MML gathered, it had asked Mr S more about these and his explanation was plausible. Altogether, I don't think the level or management of Mr S's existing debts would have caused concern for MML to the extent that it should have declined to lend to him or carried out further investigation before doing so.

Taking everything into account, I have come to the conclusion that the checks MML carried out on this occasion were proportionate and there wasn't enough of concern in the information it gathered which should have prompted it to make further enquiries of Mr S before lending to him. I don't find it was irresponsible to lend on this occasion and so I am not upholding Mr S's complaint.

Mr S has told us about his mental health and explained that at that time he had a severe addiction to gambling. I don't doubt what he's shared with us and let me say at this point that I am sorry things have been so difficult for him. As mentioned earlier, MML has offered to reduce the outstanding balance considerably if Mr S is able to repay in full. Mr S says he is unable to do this. I would remind MML of its obligations to treat Mr S fairly and with due consideration and forbearance, bearing in mind it is now aware of his serious mental health difficulties.

### **My final decision**

For the reasons set out above, I'm not upholding Mr S's complaint about Mobile Money Limited and so don't require it to pay him compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 15 July 2022.

Michelle Boundy  
**Ombudsman**