

Complaint

Mrs G has complained that Advanced Payment Solutions Limited (trading as “Cashplus”) provided unaffordable as it never took any steps to ensure her debt was affordable.

Background

Mrs G was provided with an iDraft facility with a credit limit of £100 in May 2019. Cashplus then provided Mrs G with 12 Debit protect loans for varying amounts between £30 and £675 from May 2019 to September 2019.

One of our investigators reviewed what Mrs G and Cashplus had told us. And she thought that Cashplus hadn’t done anything wrong when providing the overdraft for £100 in May 2019, or the first two Debit protect loans. But it shouldn’t have provided the remaining ten Debit protect loans as it ought to have realised they were unaffordable. Our investigator also told Cashplus to pay Mrs G £150 in compensation for the distress and inconvenience caused by its actions.

So our investigator partially upheld Mrs G’s complaint. Cashplus didn’t agree in full and as Mrs G didn’t accept its alternative offer of settlement the case was passed to an ombudsman for review.

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 explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mrs G’s complaint.

Having carefully considered everything provided, I’m partially upholding Mrs G’s complaint. I’ll explain why in a bit more detail.

Cashplus needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Cashplus needed to carry out proportionate checks to be able to understand whether Mrs G could afford to repay before providing this loan. Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Mrs G was initially provided with an iDraft facility with a credit limit of £100. And as this was a revolving credit facility Cashplus was required to understand whether Mrs G could repay

£100 within a reasonable period of time. I understand that Mrs G was asked to provide a declaration of her income and that Cashplus' records suggest she may have declared an annual income of around £38,000. As this the case, given the amount was small and this was Mrs G's first application for credit with Cashplus, I'm satisfied that Cashplus carried out reasonable and proportionate checks before providing Mrs G her with her iDraft facility.

Mrs G was then provided with two Debit protect loans for £66.61 and £675 in May 2019. The first loan was repaid in full the day after it was taken out. And given it was for a small amount, I'm satisfied that a relatively light touch assessment of Mrs G's circumstances would have been proportionate. And given they were similar to those for the iDraft facility, I'm inclined to say that the checks carried out before this loan was provided were also reasonable and proportionate.

Mrs G's second Debit protect loan was for an amount that was significantly more than what she'd borrowed previously. But given Mrs G had already repaid her first Debit protect loan in full, I'm satisfied that reasonable and proportionate checks would merely have extended to finding out more about Mrs G's expenditure. And if Mrs G had been asked about her expenditure, I think she more likely than not would have declared an amount which wouldn't have prevented Cashplus from providing loan 2 to her. So I don't think reasonable and proportionate checks would have stopped Cashplus from providing the second Debit protect loan to Mrs G.

However, when Mrs G approached Cashplus for Debit protect loan 3 at the end of May 2019, she still had an outstanding balance on her second loan at this stage. And Mrs G's existing outstanding balance coupled with this being Mrs G's fourth drawdown within the same month, lead me to think that Cashplus needed to find out more about Mrs G's expenditure before providing the third Debit protect loan.

Having looked at the information Mrs G has provided about her circumstances at the time, I'm satisfied that once her actual regular expenditure was deducted from her income, Mrs G didn't have enough to sustainably repay Debit protect loan 3 or any of the subsequent ones that she was provided. In these circumstances, I find that reasonable and proportionate checks would have shown Cashplus that it shouldn't have provided the Debit protect loans from the third one (taken on 31 May 2019) onwards to Mrs G.

Mrs G went on to pay interest and charges on loans that she shouldn't have been provided with. So I'm satisfied that she lost out as a result of having to pay the interest and charges on Debit protect loans 3 to 9. And I'm satisfied that Cashplus needs to put things right.

Fair compensation – what Cashplus needs to do to put things right for Mrs G

Having carefully considered everything, I think it is fair and reasonable for Cashplus to put things right for Mrs G in the following way:

- refund all the interest, fees and charges Mrs G paid on the Debit protect loans (loans 3 to 12) provided from 31 May 2019 onwards;
- add interest at 8% per year simple on any interest, fees and charges paid from the date they were paid by Mrs G to the date of settlement†;
- remove any adverse information recorded on Mrs G's credit file as a result of the Debit protect loans provided from 31 May 2019 to 14 August 2019.

- if an outstanding balance remains on the final loan (taken on 16 September 2019) once all adjustments have been made, Cashplus should use any interest refund due for the earlier loans to reduce the balance on this loan. If an outstanding balance remains after this, Cashplus should contact Mrs G to arrange a suitable repayment plan. Mrs G is encouraged to get in contact with and cooperate with Cashplus to reach a suitable agreement for this. If no outstanding balance remains after all adjustments then Cashplus should also remove any adverse information recorded on Mrs G's credit file about this loan too.
- pay Mrs G £150 for the distress and inconvenience its actions caused - particularly in relation to collections activity.

† HM Revenue & Customs requires Cashplus to take off tax from this interest. Cashplus must give Mrs G a certificate showing how much tax it has taken off if she asks for one.

My final decision

For the reasons I've explained, I'm upholding Mrs G's complaint. Advanced Payment Solutions 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 Mrs G to accept or reject my decision before 21 March 2022.

Jeshen Narayanan
Ombudsman