

## The complaint

Miss A says Gracombex Ltd (trading as The Money Platform) irresponsibly lent to her.

## What happened

This complaint is about six instalment loans Gracombex provided to Miss A between February 2019 and May 2021. Miss A's lending history is as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Highest Repayment
1	18/02/2019	24/05/2019	3	£250	£139.33
2	16/08/2019	30/09/2019	2	£250	£181.00
3	09/10/2019	25/10/2019	2	£250	£181.00
4	29/11/2019	24/01/2020	2	£1,000	£724.00
5	31/01/2020	25/03/2020	2	£500	£362.00
6	10/05/2021	Outstanding	1	£500	£647.00

Our Adjudicator upheld Miss A's complaint in part and thought loans four and five shouldn't have been given. Gracombex disagreed and so the complaint was passed to me for a final 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 short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Gracombex needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss A could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Gracombex should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a customer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);

- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think that it is important for me to start by saying that Gracombex was required to establish whether Miss A could sustainably repay her loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the Consumer Credit Sourcebook ("CONC") defines sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss A's complaint.

There was a significant break in Miss A's borrowing between repaying loan five and taking out loan six. So I think Gracombex could reasonably think that Miss A's finances had changed in this time. And so it could treat loan six as the start of a new chain of lending and apply the affordability checks that were appropriate.

Gracombex asked Miss A for information about her monthly income and outgoings and it carried out credit checks. Miss A said her monthly income was £2,458. She said her outgoings totalled about £1,720. The credit checks that Gracombex carried out for loans one to three and loan six didn't show anything untoward that should have prompted further checks.

So I think Gracombex's affordability checks for loans one to three and loan six were proportionate and sufficient. It looked as if Miss A could afford to sustainably repay these loans. And so I can't say it was wrong for Gracombex to have provided them.

But I don't think these checks went far enough for loans four and five. By loan four, Miss A had been borrowing continuously for nine months. And the amount she had borrowed, and her monthly repayments, had increased significantly. For loan four, after making her monthly repayment, Miss A was left with just £22 to meet any emergencies. And I don't think this was sufficient.

Gracombex has provided detailed information about its affordability checks. But I think Gracombex should then have done better checks on Miss A's financial situation to verify what she had told it and to check that further loans were sustainable for her. Gracombex could, for example, have asked to see Miss A's bank statements, amongst other things, to verify her financial situation.

And, as our Adjudicator explained, a proportionate check for loans four and five would most likely have shown that Miss A was having problems managing her money. This is because Miss A had at least three outstanding loans with other short-term lenders when she asked for loan four. And she had one recent default on a short-term loan.

So I think that if Gracombex had made better checks for loan four it would have seen that this loan, and any subsequent loans, were unsustainable for Miss A. And so I think it should have realised that it was wrong to have provided loans four and five.

So I'm upholding the complaint about loans four and five and Gracombex should put things right.

### **Putting things right**

In deciding what redress Gracombex should fairly pay in this case I've thought about what might have happened had it stopped lending to Miss A from loan four, as I'm satisfied it ought to have. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Miss A 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 they 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 A 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 A would more likely than not have taken up any one of these options. So it wouldn't be fair to now reduce Gracombex's liability in this case for what I'm satisfied it has done wrong and should put right.

I require Gracombex Ltd (trading as The Money Platform) to do the following:

- refund all interest and charges Miss A paid on loans four and five;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement†;
- offset this refund against the balance still owing for loan six and pay Miss A anything remaining; or, if an amount remains outstanding, then an affordable repayment plan should be agreed to clear the balance;
- remove any negative information about loans four and five from Miss A's credit file;

† HM Revenue & Customs requires Gracombex to take off tax from this interest. Gracombex must give Miss A a certificate showing how much tax it's taken off if she asks for one.

### **My final decision**

For the reasons given above, my final decision is that I partially uphold Miss A's complaint. I require Gracombex Ltd (trading as The Money Platform) to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 2 May 2022.

Phillip Berechree  
**Ombudsman**

