

The complaint

Mr T complains that the loans he had from Novaloans Ltd (trading as Cash4unow) were unaffordable to him.

What happened

Mr T had four loans from Cash4unow between January 2014 and April 2014 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Monthly Repayment</u>	<u>Due</u>	<u>Repaid</u>
1	9 Jan 2014	£200	2m	£146.00	28 Feb 2014	29 Jan 2014
2	12 Feb 2014	£400	14d	£520.00	26 Feb 2014	On time
3	4 Mar 2014	£500	2m	£365.00	25 Apr 2014	28 Apr 2014
4	30 Apr 2014	£350	4m	£153.12	28 Aug 2014	Defaulted

Mr T says his credit file would have shown recent missed payments and defaults, along with a number of short-term loans and a county court judgement (CCJ). He says Cash4unow did not ask for proof of his income or details of his expenditure. Mr T says if it had asked for his bank statements it would have seen he had a gambling problem and that it was irresponsible to lend to him.

Cash4unow originally responded to say that the complaint was out of our jurisdiction as it was brought too late. However, an ombudsman has now decided that, in the particular circumstances of this complaint, it is within the jurisdiction of our service and, therefore, we can consider its merits.

Our adjudicator did not recommend the complaint should be upheld. He didn't consider the available information or the pattern of lending indicated the repayments were unsustainable for Mr T.

Mr T requested an ombudsman's 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.

Cash4unow 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 Mr T 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 Cash4unow should fairly and reasonably have done more to establish any lending was sustainable for the consumer. These factors include:

- the *lower* a customer's net 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 during which a customer's 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 Cash4unow was required to establish whether Mr T could sustainably repay his 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 indicate 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 the arguments, evidence and information provided in this context and what this all means for Mr T's complaint.

Loans 1 and 2

I'm satisfied that Cash4unow's checks went far enough for this loan because:

- These were Mr T's first loans with Cash4unow;
- Cash4unow was entitled to rely on information provided by Mr T at this stage;
- Mr T's self-declared disposable income was over £900;
- There was nothing in the available information to show further checks were required.

As Cash4unow's checks showed the repayments were affordable to Mr T I'm satisfied that Cash4unow made a fair lending decision for loans 1 and 2.

Loan 3

As this was Mr T's third short-term loan with limited breaks between lending and the amount borrowed was increasing, I consider Cash4unow's checks should have gone further. Indeed I note that Mr T applied for £600, but was only approved for £500. As this pattern of borrowing could have indicated Mr T was becoming dependent on short-term lending, I think proportionate checks should have included finding out whether Mr T had any other outstanding short-term loans at the time.

I have asked Cash4unow for the results of any credit checks, but it says that due to the time that has passed it no longer has that information.

Mr T was also unable to provide any further information, so I cannot reasonably find that proportionate checks would have indicated loan 3 was unaffordable.

Loan 4

When Mr T applied for loan 4, it was for less money than either of loans 2 or 3, and the repayments were also significantly lower. Once again I find that Cash4unow's checks were proportionate to the circumstances of this loan and that there was no available information that should have indicated the loan was unaffordable.

I acknowledge Mr T did have a CCJ in March 2014, but I cannot be sure this would have appeared in any checks carried out for loan 4 as this was relatively shortly afterwards.

In summary, although I don't find Cash4unow's checks went far enough for every loan, I haven't seen any evidence to show that proportionate checks would have indicated the lending was unsustainable.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 27 May 2022.

Amanda Williams

Ombudsman