

The complaint

Mr G complains Match the Cash Limited lent to him irresponsibly.

What happened

In January 2019 Mr G applied for, and was given a loan for £3,500, which was repayable over a period of 36 months. The repayments were around £170 a month, and in total Mr G agreed to pay back about £6,100 over the three years, once interest was added.

In April 2019 Mr G applied for, and was given a second loan for £5,500, which was used to repay his first loan and raise some additional funds. The monthly repayment was £266, and the loan was repayable over a period of 36 months. The total amount payable for the loan was £9,581.

Mr G says Match the Cash shouldn't have given him the loans because they weren't affordable. Match the Cash says it did check whether the loans were affordable, and Mr G had enough disposable income to make the loan repayments.

Our investigator didn't think Mr G's complaint should be upheld. Mr G disagreed, so this complaint has been passed to me to make a decision. I issued a provisional decision explaining why I didn't think the complaint should be upheld in part, upholding the complaint about the second loan but not the first.

In my provisional decision I explained that:

'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 Mr G's complaint.'

Match the Cash needed to carry out proportionate checks to be able to understand whether Mr G could afford to make the loan payments before bringing about this guarantor loan for him.

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 checks to be less thorough – in terms of how much information is gathered and what is done to verify it – in the early stages of a lending relationship.

But we might think more needed to be done 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.

Loan 1 (taken January 2019)

Match the Cash's enquiries into Mr G's circumstances suggested that he was employed and earning on average £2,550 a month. I also understand that Match the Cash also carried out a credit check which showed Mr G had two unsatisfied County Court Judgments (CCJ), the most recent was added four months earlier for £320. This fact alone doesn't mean Match the

Cash shouldn't have lent to him – it needed to include reasonable repayments towards the debt as part of its assessment of Mr G's expenditure. The credit check also showed several historic defaulted accounts, with the last account showing in default from April 2017.

Match the Cash also obtained some information on Mr G's living expenses from him too. And everything gathered did suggest that Mr G would be able to make the repayments to his loan.

As there was no recent concerning information on Mr G's credit file, or anything else to contradict what Mr G had declared and this was his first loan with Match the Cash, I don't think that it was unreasonable for Match the Cash to rely on the information provided. Furthermore, even allowing for this there appears to have been a reasonable margin left over to make the loan payments. And I can't see anything on the bank statements obtained indicating that the loan payments were unaffordable either.

I'm satisfied that Match the Cash's checks before approving this loan were proportionate. And the information gathered suggests that Mr G could afford the payments.

Loan 2 (taken April 2019)

Mr G returned to Match the Cash three months later to borrow more and take out a new loan (and pay off his existing loan in the process). His reason for needing to borrow more was a delay in receiving an inheritance.

In this instance Match the Cash again took details of Mr G's income and expenditure, which it sought to verify by checking his credit file as well as obtaining copies of his bank statements. The statements which were gathered at the time of the application showed that Mr G's salaried income had been decreasing over the previous three months. In February Mr G earned £1,379, in March he earned £851, and in April he earned £260 – I appreciate the April statement only covered up until the fourth day of the month. But given Mr G's February earnings were around half the amount it had used to base its affordability assessment in January – and his March earnings were significantly lower still – Match the Cash ought to have been concerned. I say this particularly because Mr G was returning to borrow more within a short space of time.

Match the Cash hasn't shared with us its copy of Mr G's April loan application as it has done with his January application. The January application shows a breakdown of Match the Cash's assessment of Mr G's non-discretionary spending. But given the proximity of the two applications, I would be surprised to see any significant variation in its assessment of his non-discretionary spending. After all, he was still running a car, having to pay council tax and he still would have essential living expenses. In January, Match the Cash assessed Mr G's non-discretionary spending at £668 per month.

Mr G was applying for a £5,500 loan with a monthly repayment of £266. So, given Mr G's income had fallen to £851 the previous month and the strong likelihood of him having a non-discretionary spending need of around £668, Match the Cash ought to have found it unlikely that he could afford the new loan repayments – he could barely afford his existing loan commitment. On this basis, I think Match the Cash ought to have declined the application.

I'm not satisfied that Match the Cash's checks before approving this loan went far enough – it needed a better understanding of Mr G's income and why his earnings had dropped significantly. But the information gathered already suggests that Mr G could not afford the repayments.

Responses to my provisional decision

Mr G replied and in summary, he said that he still thought that Match the Cash shouldn't have lent his first loan as well as the second.

Match the Cash replied and disagreed with my provisional outcome. In summary, it said:

- Mr G confirmed his occupation and income when applying for his second loan and Match the Cash accept his income had fallen since his first application. However, Mr G earned between £250 and £350 a week, he was in receipt of working tax credits in addition to his salary and he had a supplemental self-employed income (which it didn't take account of when assessing affordability). Match the Cash don't consider Mr G a low earner.
- Mr G was abroad for two weeks during March 2019 which accounted for the drop in his salary that month.
- Although his income had dropped, his outgoings also had reduced to £362, which left a surplus of £223 each month.
- It is unfair to reach an outcome based on the differences in Mr G's circumstances between the two applications because each application was assessed individually.

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.

Having carefully considered Mr G's and Match the Cash's responses to my provisional decision and reviewing again all the evidence available to me, I'm still not persuaded Mr G could afford to repay the second loan sustainably, based on his circumstances at the time of lending. I still think Match the Cash's checks before approving his first loan were proportionate. And that the information gathered suggests that Mr G could afford the payments. I'll explain why.

As a reminder, the rules and regulations in place when Match the Cash lent to Mr G required it to carry out a reasonable and proportionate assessment of whether he could afford to repay the credit he was being advanced in a sustainable manner. The assessment had to be "borrower focused" – so Match the Cash had to think about whether repaying the loan sustainably would cause difficulties or adverse consequences for Mr G. In other words, it wasn't enough for Match the Cash to simply think about the likelihood of it getting its money back, it had to consider the impact of the repayments on Mr G.

Checks also had to be "proportionate" to the specific circumstances of the loan application. In general, what makes an affordability check proportionate will depend on several factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount / type / cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower an applicant's income because it could be more difficult to make the repayments as a result;
- the higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income;

- the longer the loan term, because the total cost of the credit was likely to have been greater given the longer time over which repayments have to be made.

There may also be other factors which could influence how detailed a proportionate check should've been for a given loan application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances.

Mr G, in response to my provisional decision, says that Match the Cash should not have lent either loan to him, disagreeing with my provisional findings not upholding his first loan. He goes on to say that Match the Cash didn't request copies of his wage slips, that his bank statements didn't name who he worked for, and that the salary credits into his account were for both him and his partner.

Mr G already said this in his response to the investigator's assessment and was asked to give evidence showing that the salary credits into his account were for both him and his partner. He hasn't been able to do so. This being so, I don't think it was unreasonable for Match the Cash to base the affordability assessment using the information showing on his bank account statements and for it to assume, given it was a sole account, that the salary credits were his. So, noting this was the first time Mr G had approached Match the Cash for a loan, I'm still not persuaded Match the Cash needed to do more checks before approving his first loan, or that it should not have lent to him.

Match the Cash, in response to my provisional decision, says that it is unfair to reach an outcome based on the differences in Mr G's circumstances between the two applications because each application was assessed individually. Mr G was applying to borrow more money on the back of having made only 11 weekly payments. So, I would expect Match the Cash's checks to have been more thorough. And given the affordability risks posed by repeat lending, I think it is incumbent on Match the Cash to have a proper understanding of Mr G's need to borrow more so soon into the term of his first loan. I also think this extends to checking that its previous decision to lend had not led to Mr G's income and expenditure becoming overburdened. And referring to the information it relied on previously is a way of achieving such assurance.

Match the Cash also says that although Mr G's income had dropped, his outgoings also had reduced to £362, which left a surplus of £223 each month. I am unclear as to how it has arrived at these figures. I have scrutinised the 'Financial Standing Report' that gave Match the Cash access to Mr G's bank account statement information, which it used to base its income and expenditure assessment. It shows Mr G's average total income (including transfers and benefit payments) between February and April at £2,584 and his average total expenditure over the same period at £2,609.

I appreciate not all of Mr G's expenditure showing would have been non-discretionary spending. The volume of incoming and outgoing transfers makes it very difficult to disseminate any meaningful information in this regard. But at a basic level, these income and expenditure totals suggest Mr G was living beyond his means and did not have the capacity to take on an increased repayment commitment.

Match the Cash points to overseas transactions showing on Mr G's bank statements to suggest he was on holiday and to justify the drop in his income during March. Match the Cash's duty was not to account for drops in income but to ensure Mr G could repay the proposed new borrowing sustainably, without experiencing adverse consequences. For the reasons detailed in the above, I'm still not persuaded he could. And I think there was enough information available to Match the Cash to prompt further questioning about Mr G's ability to maintain the new borrowing he was requesting.

Putting things right

When I find that a business has done something wrong, I'd normally direct that business – as far as it's reasonably practicable – to put the complainant in the position they would be in now if the mistakes it made hadn't happened. In this case, that would mean putting Mr G in the position he would now be in if he hadn't been given the second loan in question. However, this isn't straightforward when the complaint is about unaffordable lending.

Mr G was given the loan and he used the money. In these circumstances, I can't undo what's already been done. So, it isn't possible to put Mr G back in the position he would be in if he hadn't been given the loan in the first place. Instead, I must consider another way of putting things right fairly and reasonably given the circumstances of this complaint.

Having done so, I think Match the Cash should:

- a) Remove all interest, fees and charges applied to his second loan from the outset. The payments Mr G made should then be deducted from the new starting balance. If the payments Mr G has made total more than the amount he was originally lent, then any surplus should be treated as overpayments and refunded to him.
- b) Add 8% simple interest* calculated on any overpayments made, from the date they were paid by Mr G to the date the complaint is settled.
- c) Remove any adverse information recorded on Mr G's credit file as a result of this loan, once the debt is repaid.

*HM Revenue & Customs requires Match the Cash to deduct tax from this interest. Match the Cash should give Mr G a certificate showing how much tax it's deducted, if he asks for one.

My final decision

For the reasons I've explained, I uphold Mr G's complaint about his second loan but not the first and direct Match the Cash Limited should put things right for Mr G in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 9 December 2022.

Stefan Riedel
Ombudsman