

The complaint

Mrs D complains that the loans she had from Harvey & Thompson Limited were unaffordable to her.

What happened

Mrs D had five loans from Harvey & Thompson between April 2017 and August 2018 as follows:

| <u>Loan</u> | <u>Date</u> | <u>Amount</u> | <u>Term</u> | <u>Max Monthly Repayment</u> | <u>Due</u> | <u>Repaid</u> |
|-------------|-------------|---------------|-------------|------------------------------|-------------|---------------|
| 1 | 22 Apr 2017 | £400 | 5m | £106.88 | 10 Sep 2017 | 26 Apr 2017 |
| 2 | 8 May 2017 | £500 | 15m | £61.75 | 9 Aug 2018 | 26 Oct 2017 |
| 3 | 26 Oct 2017 | £852.15 | 21m | £84.57 | 10 Jul 2019 | 16 Mar 2018 |
| 4 | 16 Mar 2018 | £1,393.17 | 33m | £95.90 | 10 Dec 2020 | 11 Jan 2019 |
| 5 | 10 Aug 2018 | £1,868.35 | 36m | £126.50 | 10 Aug 2021 | Outstanding |

Mrs D says she should never have been given the loans as she had multiple financial obligations at the time and was already struggling financially. She says that if Harvey & Thompson had carried out a thorough review it would have seen the repayments were unsustainable.

Harvey & Thompson says it verified Mrs D's income and employment details and reviewed her credit file and bank statements. It says the information provided, and Mrs D's credit score, both met its lending criteria. However, it offered to calculate redress for loans 4 and 5, leaving an outstanding balance of £498.57 to pay.

Mrs D did not accept this offer.

Our adjudicator didn't recommend the complaint about loans 1 to 3 should be upheld. He didn't consider Harvey & Thompson's checks went far enough for all loans, but he said there was nothing in the information that should have indicated repayments were unsustainable for those loans. He found the settlement offer was fair and in line with our standard approach.

Mrs D responded to say, in summary, that she was already in difficulty with priority bills and could not afford to pay the adjusted balance.

My provisional findings

I issued a provisional decision to Mrs D and to Harvey & Thompson on 23 June 2022. I've summarised my findings:

- For loans 1 and 2, I was satisfied that Harvey & Thompson carried out proportionate checks, but that those checks showed significant spend on gambling and so it was irresponsible to have approved the lending;
- I didn't consider Harvey & Thompson's checks went far enough for loan 3, but I found the information it did have indicated that further lending was irresponsible, and the repayments were likely to be unsustainable.
- Harvey & Thompson agreed to uphold loans 4 and 5, so I didn't consider them further.

In summary, I found Harvey & Thompson was irresponsible to have approved loans 1 to 3, and should offer redress for those, as well as loans 4 & 5 for which it had already made an offer.

Both Mrs D and Harvey & Thompson responded to accept my provisional 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.

As both parties accepted my provisional decision, I see no reason to depart from the conclusion I reached.

My final decision

My decision is that I uphold this complaint. Harvey & Thompson Limited should:

- A. Refund all the interest and charges Mrs D paid on loans 1 to 4;
- B. 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*;
- C. Remove any interest and charges still outstanding on loan 5 and treat all the payments Mrs D made towards this loan as payments towards the capital;
- D. If reworking Mrs D's loan 5 account as I've directed results in Mrs D effectively having made payments above the original capital borrowed, then Harvey & Thompson should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date of settlement* along with the refund calculated (A+B) for loans 1 to 4;
- E. If reworking Mrs D's loan 5 account leaves an amount of capital still to be paid, then Harvey & Thompson can use the total refund for loans 1 to 4 (after the deduction of tax) to offset this. Any surplus then needs to be refunded to Mrs D. But if there is still an outstanding capital balance then I remind Harvey & Thompson that it should take a sympathetic view when seeking to agree an affordable repayment plan with Mrs D;
- F. Remove adverse information about the loans up to the date the complaint is settled.

*HM Revenue & Customs requires Harvey & Thompson to deduct tax from interest. Harvey & Thompson must give Mrs D a certificate showing how much tax it's taken off if she asks.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 4 August 2022.

Amanda Williams
Ombudsman