

The complaint

Miss G complains that West Sussex and Surrey Credit Union Limited trading as Boom! Credit Union irresponsibly lent to her.

What happened

I issued a provisional decision on this complaint where I set out the background to this complaint. I explained why I was inclined to reach different conclusions to the adjudicator and gave both parties the opportunity to provide further comments and evidence before I considered my final decision.

Key parts of my provisional decision are below;

“What happened

Boom! Credit lent Miss G a loan of £2,500 in April 2017, the loan was due to be repaid in 30 monthly instalments of £130. The loan agreement also required Miss G to deposit £10 monthly into her savings account. So, Miss G essentially had to pay £140 towards servicing the loan. Miss G has had difficulties repaying the loan.

When Miss G complained to Boom! Credit, it didn't uphold her complaint but as a gesture of goodwill offered to write off 50% of the interest on the loan and remove adverse information from her credit file. Miss G didn't accept the offer and the case was looked at by one of our adjudicators.

Our adjudicator thought Boom! Credit did enough before lending and so he didn't recommend that the complaint should be upheld. Miss G disagreed and asked for an ombudsman's decision.

What I've provisionally 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 high cost lending - including all of the relevant rules, guidance and good industry practice - on our website.

Boom! Credit needed to take reasonable steps to ensure that it didn't lend irresponsibly. It needed to lend in a fair and reasonable manner. I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss G's complaint. Boom! Credit has provided evidence to show that before lending the loan, it searched Miss G's credit file and considered her monthly income and expenses. At the time of application Miss G told Boom! Credit she was in significant financial difficulties and was behind on some of her priority bills which had been attached to her earnings. She also told Boom! Credit she had "tried every loan company around and no one would help me with my credit history". She said she was on reduced payments on one of her loan repayments and was taking out this loan to consolidate her borrowing. From this information Boom! Credit should have approached lending to Miss G with caution. It is clear to me that she was in financial distress when she approached Boom! Credit for this loan and it should have been looking to gain a detailed picture of her financial circumstances before lending.

Looking at the checks Boom! Credit carried out, it worked out Miss G's income to be around £2,100. Miss G had over £3,00 worth of unsecured debt so this loan wasn't enough to fully repay what she owed. And considering the debt consolidation which reduced her monthly credit commitments from over £300 to around £190, Miss G was due to repay £2,095 towards her living costs and remaining credit commitments. This meant Miss G would have been left with £5 disposable income after repaying this loan commitment.

Miss G had a dependent and told Boom! Credit she was a single mum, so even without taking its checks further Boom! Credit saw that she couldn't afford the repay the loan without struggling to keep up. In those circumstances it wasn't fair or reasonable to lend. Boom! Credit has lent to Miss G when it shouldn't have, and she has suffered loss as a result and it needs to put things right."

Both parties have responded and agreed with 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 agree with my provisional findings and I haven't seen any further evidence to persuade me otherwise, I see no reason to depart from those findings.

Boom! Credit lent to Miss G when it shouldn't have and it needs to put things right.

Putting things right – what Boom! Credit needs to do

- remove all interest, fees and charges applied to the loan; treat all payments made by Miss G as payments towards the capital amount of £2,500;
- if this results in an overpayment pay interest of 8% simple a year on any overpayments from the date they were paid (if they were) to the date of settlement†;
- if there's still a balance outstanding, Boom! Credit should come to a suitable repayment arrangement with Miss G.
- remove any negative information about the loans from Miss G's credit file once the loan capital has been repaid.

† HM Revenue & Customs requires Boom! Credit to take off tax from this interest. Boom! Credit must give Miss G a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons given above, I uphold Miss G's complaint and direct West Sussex and Surrey Credit Union Limited trading as Boom! Credit Union to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 28 December 2022.

Oyetola Oduola
Ombudsman