

The complaint

Mr S complains that My Finance Club Limited (“MFC”) irresponsibly lent to him. He says had better checks been carried out, the loans won’t have been lent.

What happened

MFC lent Mr S two loans in July 2022. From the information provided, the lending history was as follows.

Loan number	Start date	Loan amount (£)	Term	End date
1	04/07/2022	400	30 days	12/07/2022
2	13/07/2022	400	28 days	outstanding

When Mr S complained to MFC, it didn’t uphold his complaint but offered to reduce the outstanding balance on loan 2 by £300 so that Mr S repays the capital of £400 plus £100 interest.

Mr S didn’t accept the offer and referred his complaint to the Financial Ombudsman Service where it was looked at by one of our adjudicators. Our adjudicator didn’t think MFC was wrong to lend any of the loans and didn’t recommend that any aspect of this complaint should be upheld.

Mr S disagreed, he said he was suffering from a gambling addiction at the time and had MFC looked at his bank statements then it would have seen he wasn’t in a position to repay the loans.

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.

Mr Lender needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice this means that it should have carried out reasonable and proportionate checks to make sure Mr S could repay the loans without suffering financial detriment. 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 Mr Lender should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer'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.

Mr Lender was required to establish whether Mr S could repay his loans without undue difficulties and in particular he should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. Mr Lender wasn't just required to check that the loan payments were affordable on a strict pounds and pence calculation.

Both loans were taken within two weeks of each other. MFC says Mr S declared he lived with his partner and had no dependents. Mr S declared his income as £2,800 and his living expenses including credit commitments as £1,303 and £1,306 for loans 1 and 2 respectively. This meant Mr S had over £1,000 left in disposable income.

MFC also carried out a credit search before lending both loans and from the results provided there was nothing within those results that should have prompted MFC to have carried out further checks.

Based on the circumstances of both loans and the results of MFC's checks, I think those checks went far enough and showed Mr S was in a position to afford the repayments of both loans. I note Mr S repaid loan 1 in just over a week after and so it was reasonable for MFC to take into account that repayment history when he borrowed loan 2. I appreciate loan 2 was taken out within a day of repaying loan 1 but I don't think that's enough for me to conclude that there was an established harmful pattern of lending.

Mr S has also said he had a gambling addiction and while I empathise with Mr S' situation as I can imagine it has had a significant impact on him, this isn't something that MFC was aware of and should reasonably have been aware from its reasonable checks.

I don't think MFC has done anything wrong by lending Mr S both loans and so I won't be asking it to do anything further. MFC has made an offer to reduce Mr S' repayment for loan 2 and I'd urge him to contact MFC if he wishes to accept that offer. I'd also remind MFC of its obligation to treat Mr S positively if he's struggling to repay the loan and agree a suitable repayment plan.

My final decision

For the reasons given above, I do not uphold this complaint or make any award against My Finance Club Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 February 2024.

Oyetola Oduola
Ombudsman