

## The complaint

Mr A complains that 247 Money Group Limited trading as 247Money (247Money) irresponsibly mis-sold him a hire purchase agreement he couldn't afford.

Mr A is represented in this complaint by a claims management company but, for ease, I'll refer to Mr A directly throughout my decision.

## What happened

In February 2022, Mr A acquired a used car financed through an agreement with 247Money.

The cash price of the car was around £3,900 and while I've not seen a copy of the credit agreement, a telephone recording I've listened to between Mr A and 247Money confirmed the agreement required him to make 54 monthly repayments of £151.58.

Mr A met his contractual repayments without concern until July 2022 before falling into financial difficulties. In September 2022, Mr A agreed a temporary arrangement to clear his arrears but failed to maintain repayments and in April 2023, 247Money say Mr A advised them he was unable to maintain the agreement. In May 2023, 247Money terminated Mr A's agreement, before disposing of the car in June 2023 to reduce the debt he owed.

Mr A then complained to 247Money that their decision to lend to him had been both irresponsible and unaffordable. He said his credit history showed he'd defaulted on active or recently settled accounts. He'd also had several accounts passed to debt recovery companies at the time of the application and had missed payments or been late repaying his debts multiple times in the three months prior. Mr A said if 247Money had conducted appropriate checks they would have seen there was clear evidence he was entering a 'cycle of borrowing'.

247Money didn't think they'd done anything wrong and said they were satisfied the finance approved was affordable. They said at the point of the application thorough checks were completed to determine if Mr A met their lending criteria and his maximum affordable monthly contractual payment was calculated to be £284.45, compared to his actual monthly contractual payments which were £151.58.

247Money said the affordability checks completed considered his active credit commitments visible on his credit report, along with statistical data to determine household expenditure based on houses similar in size, occupancy, and locality as Mr A's. They also said Mr A had provided two monthly payslips from which they used the year-to-date figure to confirm his annual income matched the income Mr A stated within his application. And 247Money said they'd reviewed a bank statement provided by Mr A to further confirm his salary being paid into his account and to understand how he managed his finances.

Finally, 247Money said prior to authorising pay-out of the funds, an underwriter completed a validation call on which Mr A confirmed there were no negative foreseeable changes in his circumstances that would affect affordability and that he'd been awarded a 5% pay increase.

Because Mr A remained unhappy, he asked the Financial Ombudsman Service to look into his complaint.

Our investigator looked into things and said whilst she thought 247Money had completed proportionate checks, based on what they saw - gambling transactions and payments to a debt management company - she didn't think they'd made a fair lending decision when approving the agreement for Mr A.

To put things right our Investigator said 247Money should end Mr A's agreement with nothing further to pay and ownership of the car should be transferred to him.

Our Investigator said the maximum amount 247Money could ask Mr A to repay was the cash price of the car, and if he'd paid anything over that amount, 247Money should refund Mr A adding 8% simple interest as compensation. Finally, she said if Mr A owed any arrears after the settlement had been calculated, 247Money should arrange an affordable repayment plan for Mr A and remove any adverse data regarding the original agreement from his credit file.

247Money disagreed with our Investigators opinion saying they'd noted the transactions in question at the time of the application, but they were not deemed excessive or a cause of concern regarding Mr A's affordability.

247Money said Mr A's net gambling spend after deducting the income he received from gambling companies was less than 3% of his income and they didn't consider the amounts or regularity of the transactions to be indicative of an excessive or compulsive gambling habit. 247Money said a change in Mr A's circumstances after the agreement was approved was the root cause of his affordability issues and having considered the repayments he was making to debt management companies, his debt-to-income ratio satisfied them he wasn't over exposed and that the loan was affordable.

As no resolution could be reached, this case has been passed to me to decide.

I sent Mr A and 247Money my provisional decision on 11 October 2023. I explained why, while I was planning to reach the same outcome to that of our investigator, I intended to ask 247 Money Group Limited trading as 247Money to do something different to put things right. I said:

*How we handle complaints about irresponsible and unaffordable lending is explained on our website. It's this approach I've used when deciding Mr A's complaint. 247Money needed to ensure they didn't lend irresponsibly which in practice, means they needed to carry out proportionate checks to be able to understand whether any lending was affordable and sustainable for him before agreeing to provide the finance.*

*The rules that apply to credit agreements are set out in the FCA's consumer credit sourcebook (CONC). Section 5.2A of CONC is relevant here, as – among other things – it talks about the need for businesses like 247Money to complete reasonable and proportionate creditworthiness assessments before agreeing to lend someone money.*

*I've considered these rules by asking the following questions:*

- 1) *Did 247Money complete reasonable and proportionate checks to satisfy themselves Mr A would be able to meet the repayments of the borrowing without experiencing significant adverse consequences?*
  - *If they did, was their decision to lend to Mr A fair?*

- *If they didn't, would reasonable and proportionate checks have shown that Mr A could sustainably repay the borrowing?*

2) *Did AFL act unfairly or unreasonably in some other way?*

*Did 247Money complete reasonable and proportionate affordability checks?*

*What's considered reasonable and proportionate in terms of the checks a business undertakes will vary dependant on the details of the borrowing and the consumer's specific circumstances at the time.*

*Here, the total amount repayable under the agreement was around £8,200, with monthly repayments of £151.58 over a 54-month term. The interest rate confirmed by 247Money in their final response letter was 44.90%. This was therefore a relatively significant and lengthy credit commitment for someone to enter into, so my starting point is that I'd expect to see 247Money to have completed a thorough affordability check.*

*247Money say they reviewed Mr A's credit profile to gain an understanding of his previous and current credit history. While I've not seen a copy of the report, 247Money have provided me a summary of Mr A's active credit commitments they saw at the time of the application.*

*I can see 247Money verified Mr A's income using the information contained on two payslips as well as sighting his salary being credited to his bank account via a bank statement. It seems Mr A had provided an accurate estimate of his income when completing the application, so I think 247Money did enough to satisfy themselves what income Mr A was receiving.*

*247Money says it used statistical data to estimate Mr A's non-discretionary expenditure and they also had sight of one month of Mr A's bank transactions. I'm aware the regulator is of the view a business may consider statistical data in certain circumstances, unless it knows or has reasonable cause to suspect that the customer's non-discretionary expenditure is significantly higher than described in the data. I've kept this in mind when deciding if 247Money made a fair lending decision.*

*From the information they gathered through a credit check, verification of Mr A's salary and sight of his bank statement, 247Money said he met their lending criteria and the monthly contractual amount agreed was below the maximum amount they'd calculated as affordable.*

*Overall, I think 247Money completed reasonable and proportionate checks when thinking about the amount of information and supporting evidence they gathered to assess Mr A's creditworthiness. I've therefore gone on to consider whether I think they made a fair lending decision when approving the credit agreement for Mr A.*

*Did 247Money make a fair lending decision?*

*While I think 247Money gathered enough information about Mr A's circumstances at the time of the application, I interpret the information they saw differently. I don't agree the information considered by 247Money showed that agreeing to lend to Mr A was either affordable and sustainable or responsible.*

*247Money say they noticed the gambling transactions Mr A was conducting but they did not deem them excessive, nor did they cause any concern over his affordability of the agreement. They add the transactions totalled a net spend of £23.79 and accounted for less than 3% of Mr A's monthly income. I disagree the transactions weren't cause for concern.*

*In the 31-day period reviewed by 247Money, Mr A conducted 50 separate gambling transactions totalling £278.90 which accounted for approximately 25% of his monthly income. I'm aware 247Money considered Mr A's net spend deducting any incoming payments from the amounts spent but I don't agree this should be the case. Any winnings Mr A might have received weren't guaranteed and I'm satisfied the sheer level of transactions conducted in a short period of time ought to have given 247Money cause for concern that approving the lending for Mr A wasn't responsible, nor would it be sustainably affordable over the full term.*

*247Money completed a validation call with Mr A on which they asked him if he foresaw any future changes which would affect his ability to afford the agreement. No questions were asked of him regarding the high level of gambling transactions 247Money had seen on his bank statement so I can understand why Mr A didn't mention his gambling as a possible issue. I can't tell what he would have said if he'd been asked. But given the nature of some gambling problems, I feel a more evidence-based review – rather than relaying on spoken assurances – would have been needed in any case.*

*Further, 247Money took note of the payments into Mr A's account from gambling companies, however the credits included payments from at least one gambling company no outgoing payments had been made to. This suggests that the extent of Mr A's gambling reached beyond the one month of transactions 247Money had seen for his account.*

*And by 247Money's own observation they note the bank statement reviewed showed Mr A had a marginally higher income in comparison to his outgoings, despite the presence of gambling transactions. But Mr A's bank statement didn't show anywhere near the level of non-discretionary expenditure they say was considered as his likely outgoings using statistical data when deciding affordability.*

*247Money say they noted five payments to debt management companies on Mr A's monthly bank statement but that this was to be expected due to the previous defaults shown on his credit history. They also say these defaults were at least six months prior to his application for finance with them.*

*Mr A was also paying a sixth payment towards debt management by way of repaying an overpayment previously received. But in any case, I'm satisfied the payments 247Money did note made clear Mr A's struggles with financial difficulty. And when considering that in addition to their awareness of Mr A's gambling transactions, this ought to have demonstrated to them it was irresponsible to grant the loan to Mr A and he would struggle to maintain the repayments sustainably throughout the full term of the loan.*

*In summary, 247Money needed to ensure Mr A could afford to sustainably repay the borrowing without causing him financial difficulty and that their decision to lend to him was responsible. I think they gathered sufficient information throughout the application process to realise Mr A wasn't in a position to sustainably repay this agreement, nor was it responsible to grant him the lending.*

*Given all of the above I don't think 247Money gave appropriate consideration to the information it had gathered regarding Mr A's financial circumstances, and I don't think they made a fair lending decision by approving the agreement they did.*

### **Putting things right**

*Previously our Investigator said 247Money should end the agreement with nothing further to pay and ownership of the car should transfer to Mr A. But the agreement was already terminated in May 2023 and the agreement statement shows the asset, in this case the car,*

*being disposed of shortly after to reduce the debt owed. So I think 247Money need to do something different to put things right.*

*As I don't think 247Money should've lent to Mr A, I think it would be fair and reasonable for them to now refund everything he has paid towards the agreement, minus a deduction for any fair usage of the car from the time he had it until his agreement was terminated. I say when the agreement was terminated because 247Money had a responsibility to act promptly to retrieve the car after bringing the agreement to an end so he shouldn't be penalised for any time after termination.*

*There isn't an exact formula for working out what fair usage might be. But in deciding what's fair and reasonable I've thought about the amount of interest charged on the agreement, the likely use Mr A had of the car and what reasonable costs he might've incurred to stay mobile had he never entered into this agreement.*

*Having done so, I think an amount of £75 per month for each month Mr A had use of the car until his agreement was terminated is fair and reasonable. Mr A had use of the car for 15 months before his agreement was terminated so I think the amount 247Money can retain in total is £1,125.*

*Anything Mr A paid in excess of £1,125 should be treated as an overpayment and be refunded to him, along with 8% simple interest per year from the date of payment to the date of settlement.*

*Lastly, as Mr A should not have been allowed to enter into the finance agreement, it isn't fair for 247Money to record any adverse information in relation to it against his credit file. They should arrange for any adverse information to be removed.*

Mr A confirmed he had no further comments or evidence for consideration. 247Money didn't respond to 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 neither party has provided anything further for me to consider following my provisional decision, I've seen no reason to reach a different conclusion to the one I reached previously. For the reasons set out above in my provisional decision, I don't consider that Zurich needs to do anything to put things right.

### **Putting things right**

As I don't think 247Money should've lent to Mr A, I think it would be fair and reasonable for them to now refund everything he has paid towards the agreement, minus a deduction for any fair usage of the car from the time he had it until his agreement was terminated. I say when the agreement was terminated because 247Money had a responsibility to act promptly to retrieve the car after bringing the agreement to an end so he shouldn't be penalised for any time after termination.

There isn't an exact formula for working out what fair usage might be. But in deciding what's fair and reasonable I've thought about the amount of interest charged on the agreement, the likely use Mr A had of the car and what reasonable costs he might've incurred to stay mobile had he never entered into this agreement.

Having done so, I think an amount of £75 per month for each month Mr A had use of the car until his agreement was terminated is fair and reasonable. Mr A had use of the car for 15 months before his agreement was terminated so I think the amount 247Money can retain in total is £1,125.

Anything Mr A paid in excess of £1,125 should be treated as an overpayment and be refunded to him, along with 8% simple interest per year from the date of payment to the date of settlement.

Lastly, as Mr A should not have been allowed to enter into the finance agreement, it isn't fair for 247Money to record any adverse information in relation to it against his credit file. They should arrange for any adverse information to be removed.

### **My final decision**

For the reasons I've given above, I uphold Mr A's complaint. 247 Money Group Limited trading as 247Money should do as I've set out above.

If 247Money Group Limited trading as 247Money considers that they're required by HM Revenue & Customs to take off income tax from any interest due to Mr A, they should tell him how much they've taken off.

They should also give Mr A a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 7 December 2023.

Sean Pyke-Milne  
**Ombudsman**