

The complaint

Miss T is complaining about 247 Money Group Limited (247). She says they shouldn't have lent to her as the repayments were unaffordable.

What happened

In February 2021, Miss T took out a hire purchase agreement with 247 to finance the purchase of a car. She paid no deposit and borrowed £7,870 – the cash price of the vehicle. The agreement required Miss T to make 48 monthly repayments of £249.84. She missed a couple of repayments due to bounced direct debits. Then, in March 2023, she settled the agreement early, selling the car at the time.

Miss T complained to 247 in October 2022, saying they should never have given her the unaffordable car finance. She said at the time she had a very bad credit history with multiple defaults and debt management plans and was in arrears on a loan of over £10,000 with another lender.

In response, 247 said they'd checked Miss T's credit file, which told them how much she was paying towards credit commitments each month and which they also used to decide her Annual Percentage Rate (APR). They said they'd confirmed Miss T's income by looking at a payslip. This showed Miss T's average monthly income for the year to date was just over £1,500 though she'd told them her income was £2,170. 247 also said they obtained a bank statement from Miss T. The bank statement showed one returned direct debit and no use of the overdraft facility, so 247 were satisfied with this. They calculated her monthly maximum contractual payment as £498 so they felt the actual monthly contractual payment of £250 was affordable for her. 247 also said they'd had a phone conversation with Miss T in which she explained her income was higher than they'd calculated because she'd returned to work following maternity leave. And she confirmed there weren't any foreseeable negative changes in her financial circumstances. 247 said based on the information they'd gathered from their checks there were no concerns over the affordability of the loan - so they didn't uphold her complaint.

Miss T brought her complaint to our service, adding that at the time of the lending she had multiple outstanding loans, defaults, arrears and a gambling habit.

One of our investigators looked into the matter but didn't uphold Miss T's complaint. He said he wasn't satisfied 247 had completed proportionate checks but he felt the agreement was likely affordable for Miss T and 247 could have fairly decided to lend to her.

Miss T appealed our investigator's view. She said she was making token payments to her partner for rent, food and other essentials but couldn't afford to give him more. She noted several items from her bank statement which she felt should have been an indicator that she was struggling financially. And she said it's clear from her bank statements that she had a serious gambling problem. She asked for an ombudsman's decision – and the complaint came to me. I issued a provisional decision on 14 November 2023 saying I was inclined to uphold the complaint. In that I said:

“The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer’s ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer’s financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

Did 247 carry out proportionate checks?

247 said they carried out the following checks:

- reviewed Miss T’s credit file;*
- checked her income to her payslip;*
- reviewed one month’s bank statements; and*
- spoke with Miss T on the phone to confirm affordability.*

Whether or not these checks were proportionate depends on various factors, including the size and length of the loan, and what 247 found.

247 haven’t provided their copy of Miss T’s credit file but they told us it showed Miss T had one active credit card with a balance of £217, five active current accounts, and one active loan. The balance on the loan was nearly £10,000, with monthly repayments of £385. 247 noted this loan was one payment in arrears. Because 247 haven’t provided their copy of Miss T’s credit file, I’ve looked at Miss T’s copy to see what else 247 would likely have been aware of.

Miss T’s credit report shows she had missed payments on her credit card a couple of times in the previous year. And it shows Miss T had ten defaults recorded between July 2017 and July 2020. Three of these were in the twelve months prior to 247’s decision to lend to Miss T. The credit report also notes that Miss T had had a debt management plan for a while. All of these are indicators that Miss T may have been struggling financially before 247 decided to lend to her and should have led 247 to do more checks.

The bank statement 247 looked at showed a returned direct debit. This bank statement also wasn’t for a full month, and it showed a significant amount of income from a gambling site as well as numerous significant transfers to another account in Miss T’s name. I’m inclined to say the bank statement 247 saw was a further indicator that Miss T might have financial difficulties and that 247 should do additional checks.

I’ve listened to the two phone calls 247 had with Miss T. These didn’t add anything significant and were mostly confirmation calls. There was no discussion of Miss T’s defaults, credit commitments, or expenditure.

On balance, I’m not satisfied these checks were proportionate. There were numerous indicators from Miss T’s credit file that she may have been struggling with her finances, despite a relatively high income. 247 should have done more to understand her expenditure.

If 247 had done proportionate checks, what would they have found?

A proportionate check would have involved 247 finding out more about Miss T's income and expenditure to determine whether she'd be able to make the repayments in a sustainable way.

I've looked at statements for two of Miss T's bank accounts for the months leading up to her application to 247. In the absence of any other information, bank statements provide a good indication of Miss T's income and expenditure at the time the lending decision was made.

I'm not saying a business normally has to obtain bank statements during their affordability checks, but I think in Miss T's case it would have been very difficult to gain an understanding of her expenditure without looking at the statements. So I'm inclined to say that 247 would have needed to look at her bank statements in more detail to carry out a proportionate affordability assessment.

If 247 had looked at more of Miss T's statements, they'd have seen significant levels of spending on gambling. Whilst some of these transactions are clearer than others, it appears that in January 2021, the month prior to the lending decision, Miss T spent around £3,000 on gambling. This was significantly more than her regular income. Miss T's other statements don't show the same levels of gambling, but they do show large numbers of significant transfers to other accounts in Miss T's name for which we haven't received statements. Although I haven't seen statements for all of Miss T's bank accounts, I'm inclined to say I've seen enough. It seems clear the gambling was a significant contributor to the adverse state of Miss T's credit file and on that basis I'm inclined to say that if 247 had carried out proportionate checks they'd have had to decide it would be irresponsible to lend to Miss T."

While Miss T accepted my decision, 247 disagreed. They said they didn't think I'd seen enough evidence to determine the lending was irresponsible and noted that Miss T's other bank accounts may have had healthy balances.

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.

Whilst I appreciate 247's comments, it's clear to me that Miss T was gambling compulsively, as she's told us. Since I issued my provisional decision she's sent us statements for another account for January 2021 – and this shows her spending on gambling was much higher than I'd previously estimated. Those statements alone show her spending around £4,000 in January 2021 on gambling sites. I acknowledge Miss T had some winnings from gambling, but I don't think it would have been responsible for 247 to factor this in when making the lending decision.

In summary, 247's comments haven't changed my mind, and Miss T's additional information has strengthened my view that Miss T was unable to control her spending on gambling and therefore 247 couldn't have reasonably decided to lend to her.

Putting things right

Neither party commented on my proposed redress so the following is unchanged from my provisional decision:

As I don't think 247 should have approved the loan, I don't think it's fair for them to charge any interest or other charges under the agreement. But Miss T had use of the car before she

sold it, and then she benefitted from the proceeds of the sale. To settle Miss T's complaint, 247 should do the following:

- Refund all the payments Miss T has made in excess of £7,870, representing the original cash price of the car. 247 should add 8% simple interest per year from the date of each overpayment to the date of settlement.
- Remove any adverse information recorded on Miss T's credit file regarding the agreement.

If 247 consider tax should be deducted from the interest element of my award they should provide Miss T a certificate showing how much they've taken off so that Miss T can reclaim that amount, assuming she is eligible to do so.

My final decision

As I've explained above, I'm upholding Miss T's complaint. 247 Money Group Limited need to take the steps outlined above to settle the matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 11 January 2024.

Clare King
Ombudsman