

The complaint

Mr G complains that East Lancashire Moneyline (IPS) Limited trading as Moneyline, lent to him irresponsibly - he could not afford to repay the loans as he already had a lot of debt.

What happened

Mr G took five loans between August 2022 and July 2024. Here is a brief loan table.

Loan	Approved	Amount	Interest rounded	Highest repay rounded	Repaid date
1	22 August 2022	£250	£40	£74	5 January 2023
2	5 January 2023	£250	£37	£73	16 March 2023
3	17 March 2023	£500	£151	£109	25 May 2023 Repaid early
4	8 September 2023	£250	£83	£56	16 May 2024 Repaid late
5	25 July 2024	£500	£95	£95	o/s

For Loan 5, Mr G made one repayment on 15 August 2024 and my understanding is that he has not paid since. He took advantage of a breathing space until October 2024. The outstanding balance was £433. I do not have any up to date figures.

Mr G complained in August 2024 and received Moneyline's final response in which it did not uphold his complaint. After it had been referred to the Financial Ombudsman Service one of our investigators received all the information Moneyline had seen before lending. Our investigator's view was that none of the loans should have been approved.

Moneyline disagreed and sent comprehensive submissions as to why, all of which I have read. The unresolved complaint was passed to me to decide.

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 this type of lending - including all the relevant rules, guidance, and good industry practice - on our website.

Moneyline is not a payday lender and does not issue loans which fall into a category of being high cost short term credit. The principles surrounding irresponsible lending are not just for one sort of lender and they apply to Moneyline broadly.

Moneyline had to assess the lending to check if Mr G could afford to pay back the amounts he'd borrowed without undue difficulty. It needed to do this in a way which was fair and reasonable to the circumstances.

Moneyline was required to establish whether Mr G could sustainably repay the loans – not just whether he technically had enough money to make the repayments. Having enough money to make the repayments could of course be an indicator that Mr G was able to repay her loans sustainably. But it doesn't automatically follow that this is the case.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr G's complaint.

I have seen from the detailed documents Moneyline has submitted that it looked at Mr G's bank account statements for the first loan and on other occasions too. It took information from Mr G about his salary (£2,719 each month) and that he was living at home but provided money to his mother for household costs. It also obtained credit reference agency details. So, I do not consider that there was an issue as to whether Moneyline's checks have been thorough enough. The issue surrounds what it did with that information when assessing Mr G's ability to afford its loans.

I have seen from the records and the copy bank account statements Moneyline had from the first loan application, that Mr G had already been using short-term loans and high-cost credit from other providers. Mr G's bank statement shows that he was meeting the repayments for several existing loans before Moneyline offered him a further loan. Mr G's expenses in the statements Moneyline saw exceeded his income.

And Moneyline could not have ignored the multiple transactions – both payments and credits – relating to betting and gambling. And seeing that, I consider that the multiple transfers out to another account and the cash withdrawals ought to have added to Moneyline's suspicions. This is not an unusual pattern of behaviour for someone who has an issue with compulsive spending. However, even if this was not checked by Moneyline I think that the bank statements it obtained alone were enough to recognise that it was not a responsible approach to lend further to Mr G. Knowing these facts I do not think that Moneyline's approval of loan 1 was the correct approach.

I have read and considered all of Moneyline's submissions. Where it says that gambling alone is not necessarily a reason to refuse a loan application – then I agree but it's a matter of degree. A gentle series of small bets would not necessarily lead to that outcome – a refusal. But here, for Mr G, the spending on those sorts of transactions were extensive and regular. An example is that on 8 June 2022, Mr G spent around £350 on those sorts of transactions which was a significant proportion of his salary and likely the reason for his financial difficulties.

Reviewing the information Moneyline received before agreeing each of Mr G's loans, I can see there was little change to his financial circumstances. He continued to rely on short-term loans, withdraw large amounts of cash and transfer funds to and from his other account. I do not think that he was in a position to take on any further debt. And my view extends to each of the loans following. I uphold Mr G's complaint about each of the loans but having obtained and used the capital it will need to be repaid by him, if not already done so.

I've also considered whether Moneyline acted unfairly or unreasonably in some other way given what Mr G has complained about, including whether its relationship with Mr G might have been unfair under s.140A Consumer Credit Act 1974.

However, because I am upholding Mr G's complaint for the reasons I have explained, I don't think I need to make a finding on this. I believe the redress I have suggested results in fair compensation for Mr G in the circumstances of this complaint.

Putting things right

Mr G has asked Moneyline to refund the loans he took out, plus the interest paid. This is not our approach when we uphold loan complaints. Moneyline should refund any interest paid on the loan, but not the amount that was initially borrowed and used by Mr G.

I understand that there's an outstanding balance. If Moneyline has sold the outstanding debt it should buy it back if able to do so and then take the following steps. If it is not able to buy the debts back then it should liaise with the new debt owner to achieve the results outlined below.

Moneyline should:

A) add together the total of the repayments made by Mr G towards interest, fees and charges on all upheld loans without an outstanding balance, not including anything it has already refunded.

B) calculate 8% simple interest* on the individual payments made by Mr G which were considered as part of "A", calculated from the date Mr G originally made the payments, to the date the complaint is settled.

C) remove all interest, fees and charges from the balance on any upheld outstanding loans, and treat any repayments made by Mr G as though they had been repayments of the principal on all outstanding loans.

If this results in Mr G having made overpayments then Moneyline should refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled. It should then refund the amounts calculated in "A" and "B" and move to step "E".

D) If there is still an outstanding balance then the amounts calculated in "A" and "B" should be used to repay any balance remaining on outstanding loans. If this results in a surplus then the surplus should be paid to Mr G.

However, if there is still an outstanding balance then Moneyline should try to agree an affordable repayment plan with Mr G. Moneyline ought not pursue outstanding balances made up of principal it has already written-off.

E) remove any adverse information recorded on Mr G's credit file in relation to loans 1 to 5.

*HM Revenue & Customs usually requires Moneyline to take off tax from this interest. It must give Mr G a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that I uphold the complaint. East Lancashire Moneyline (IPS) Limited trading as Moneyline needs to put things right in the way that I have directed in that section of my decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 11 April 2025.

Rachael Williams
Ombudsman