

complaint

Mr A complains that the loans he had from Harvey & Thompson Limited were unaffordable and caused him to get into a debt spiral.

background

Mr A had four loans from Harvey and Thompson between April 2014 and June 2017 as follows:

| Loan | Date | Amount | Repayments | Frequency | Due | Paid |
|------|-------------|--------|--------------|-------------|-------------|-------------|
| 1 | 12 Apr 2014 | £1,000 | 34 x £54.82 | Fortnightly | 7 Aug 2015 | 23 May 2015 |
| 2 | 23 May 2015 | £1,000 | 15 x £124 | Monthly | 31 Aug 2016 | 31 Aug 2016 |
| 3 | 17 Sep 2016 | £1,000 | 12 x £134.57 | Monthly | 25 Aug 2017 | 22 Apr 2017 |
| 4 | 10 Jun 2017 | £1,500 | 18 x £134.94 | Monthly | 30 Nov 2018 | N/A |

Mr A also had loans from Harvey and Thompson prior to that date, but he has accepted an offer to refund the interest charged on those loans.

Harvey & Thompson explained that it checked Mr A's income and expenditure and also looked at his credit file before approving any of the loans. It says that none of its checks showed Mr A was in financial difficulty, including a review of his bank statements. However, as a gesture of goodwill it offered to refund the interest charged on Mr A's loans prior to April 2014, plus 8% statutory interest.

Mr A did not accept this offer. He says the interest charged on the other loans made the repayments unaffordable to him and that Harvey & Thompson should have seen from his bank statements that he was using numerous other short-term lenders.

Our adjudicator did not recommend the complaint should be upheld. He was satisfied that Harvey and Thompson had carried out enough checks and did not find anything in the information that should have indicated the loans were unaffordable.

Mr A responded to say, in summary, that the checks were inadequate. He says Harvey and Thompson should have realised there was little or no break in his borrowing and that his expenditure was higher than his income. He adds that he was using one lender to repay another and his credit file would have shown defaults on it. Mr A also points out that he was continually overdrawn, paying minimum payments on his credit card and had taken out additional credit cards.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Harvey & Thompson was required to lend responsibly. It should have made checks to make sure Mr A could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr A was borrowing, and his lending history. But there was no set list of checks Harvey & Thompson had to do.

I acknowledge that Harvey and Thompson has made an offer to Mr A on his initial loans, so I won't consider those further here. However, I will take the early loans into account when deciding what level of checks would have been proportionate for the later loans.

As Mr A had multiple loans prior to April 2014, and there was no break in lending, I consider Harvey and Thompson should have carried out a full financial review before approving any further loans. I can see Harvey and Thompson did this by obtaining payslips, bank statements and credit file information. I now need to consider whether the information it had indicated the repayments were affordable.

Loan 1

I can see from Mr A's payslip that he was earning around £1,400 per month. From his bank statements, I can see that his regular expenditure included £360 on rent and about £200 on bills and phone costs. In addition Mr A paid a further £100 on credit card repayments, gym membership and car insurance. He was also making regular repayments to another short-term loan company of just under £100 per month. This left him with about £650 each month. Taking into account the Harvey & Thompson repayment of roughly £120, Mr A had over £500 to cover other regular payments such as food and petrol. Mr A says he spent around £200 on food and the same on petrol, although I can't find clear evidence of the petrol costs from his bank statements.

I've also looked at Mr A's credit file to see what other information Harvey & Thompson may have seen. Although Harvey & Thompson says it checked Mr A's credit record and found nothing to indicate financial difficulty, I can see that Mr A's file would have shown two defaults. However, as these were both around a year before this loan application, I don't find it unreasonable that this didn't affect Harvey & Thompson's lending decision in the context of the other information.

I accept Mr A says his expenditure exceeded his income at that time, but this is not reflected in his bank statements. His account was consistently in credit throughout February and March 2014 and the balance at the end of January, February and March was relatively stable at between £500 and £700.

I also acknowledge that Mr A says he spent an additional £700 on gambling and smoking each month but I can only see transactions relating to the National Lottery. It is possible these payments were made in cash, but even if that was the case, Mr A's expenditure did not exceed his income and it would have been reasonable for Harvey & Thompson to consider such spend as discretionary.

So, based on the information it had, I can't see it was unreasonable for Harvey & Thompson to have approved loan 1.

Loan 2

By this time Mr A's monthly income had increased to around £1,900. His regular expenditure was largely unchanged, although there were no longer any car insurance costs, nor were there payments to other short-term loan companies. But Mr A says his gambling had increased to £500 per month. That said, gambling spend is not evident on Mr A's bank statements, and his account appears well-managed. Although, by now, Mr A is overdrawn, the monthly statement does not show expenditure exceeding income and Mr A is well within his agreed overdraft limit.

Again, I've looked at Mr A's credit file and it shows Mr A had two more defaults recorded against his name. However, as both were fewer than four weeks before this loan application I think it's unlikely they were reflected on Mr A's file at the time Harvey & Thompson was assessing the affordability of the loan.

So, again, I don't find it unreasonable that Harvey & Thompson found the £124 monthly repayments to be affordable to Mr A.

Loans 3 and 4

Mr A's income was over £2,000 at the time of both these loans and Mr A's own calculations show this exceeded his expenditure by over £400 at the time of loan 3. Although Mr A again shows a deficit for loan 4, I'm satisfied Harvey & Thompson would have found his regular commitments left him with sufficient disposable income to afford the repayments. Indeed, Mr A also made large repayments (over £800) to his credit cards in the same period.

So, in summary I can't conclude Harvey & Thompson was wrong to approve loans 3 or 4 and Mr A should now contact the business to accept its gesture of goodwill to settle the complaint about his earlier loans, if he hasn't already done so.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 21 January 2019.

Amanda Williams
ombudsman