

complaint

Mr E complains about seven payday loans he took out with Uncle Buck Finance LLP. He says Uncle Buck Finance should never have agreed to lend him the money.

background

Mr E took out seven short term loans with Uncle Buck Finance. The loans were between February 2015 and October 2016 and ranged from £100 to £250. All the loans were repaid. Mr E complained to Uncle Buck Finance as he believes the loans should never have been agreed. He says he had other lending and gambling and it was irresponsible of Uncle Buck to have approved the loans.

After complaining to Uncle Buck Finance Mr E referred his complaint to us. One of our adjudicator's initially reviewed the complaint but didn't feel it should be upheld. She felt that looking at the circumstances, Uncle Buck Finance should have carried out further checks into Mr E's circumstances when lending some of the later loans. However, she looked at Mr E's bank statements but thought that these didn't demonstrate Mr E couldn't afford to repay the loans. Mr E replied to the adjudicator's view with further bank statements which demonstrated his gambling. The adjudicator considered these statements and thought that the later loans were unaffordable. This was because although Mr E had enough disposable income to make the repayments taking into account his gambling there was a risk that the repayment was unaffordable. She thought Uncle Buck Finance should refund all of the interest and charges applied to the last three loans.

Uncle Buck didn't accept the adjudicator's conclusions and said that as a responsible lender it would not lend to a customer who was a prolific gambler. But the loans were affordable.

I issued a provisional decision on the 27 July 2017 setting out why I didn't think the complaint should be upheld. I asked for further information by 29 August but both parties have replied to my provisional decision with their comments and have agreed that they have nothing further to add and I can go on and make my final decision.

my findings

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

When deciding to lend to Mr E, Uncle Buck Finance was required to carry out an affordability assessment to ensure Mr E could afford to repay what he was borrowing. That assessment wasn't exhaustive but should have been proportionate to the lending. What exactly is proportionate will depend on the circumstances but should really look at the size of the loans against any income and expenditure. It should in my view also look at the number and or frequency of the loans.

Mr E took out seven loans over an eighteen month period Mr E has said there were consecutive loans but the loan history I have from the business doesn't reflect this. The first two loans were for £100 and £250. The third loan was for £150. The first loan was taken out on 25 February 2015, the second on 23 April and the third on 25 August. Mr E's income was recorded as £3,200 each month, with his expenditure as £1000. Considering what Uncle Buck Finance knew about Mr E's circumstances when agreeing the initial loans, I don't think

there was anything that indicated Mr E wouldn't be able to repay the loans. I also think that the checks it carried out at the beginning of the lending were reasonable and proportionate.

As the name suggests, a payday loan is a short term product and is designed to provide a quick solution to a short term financial problem, or cash flow issue. They are expensive forms of credit and aren't intended to be used for long term borrowing needs. Looking at the number and timing of the lending here I think that this should have alerted Uncle Buck Finance to the possibility of Mr E being dependant or reliant on short term lending. Because of this, I think that the proportionality of any checks it carried should have increased. Uncle Buck Finance should therefore have increased the depth of its checks the more frequently Mr E borrowed.

However, although Uncle Buck Finance should have made further checks into Mr E's circumstances, to uphold this complaint I'd need to be satisfied that those checks would've shown Mr E couldn't afford the loans. But I have looked closer at Mr E's financial circumstances and his bank statements from the time of the lending. And having done so, I'm not persuaded that Mr E couldn't actually afford the loans.

Mr E did have additional borrowing alongside the Uncle Buck Finance loans. But Mr E still had considerable disposable income after he had met all of his essential or existing financial commitments. This was more than enough to comfortably repay the borrowing each month. I can see that Mr E was gambling, but after very carefully considering this, I don't think I can say that it would have been unreasonable of Uncle Buck Finance to lend if it knew of Mr E's gambling. The gambling pattern when considered alongside Mr E's broader circumstances and disposable income did not make the loan repayments unaffordable.

Mr E's current account bank statements show that he was able to meet all of his outgoings without resorting to further borrowing. This was the conclusion initially reached by the adjudicator when she only had sight of these statements. Mr E transferred money into a different account for the purposes of gambling and these statements were provided in response to the adjudicator's first view. If Uncle Buck had asked to see Mr E's bank statements I'm not persuaded it would have been able to identify his gambling.

Mr E has said that if it had asked to see his bank statements Uncle Buck would have seen that Mr E was transferring money into another account and would've asked for those statements. I don't think this is necessarily so. Mr E's bank statements show that he is able to meet his monthly outgoings before the transfers are made. The transfers don't indicate financial hardship. I don't think that it would be fair to say that Mr E's statements would suggest he was in financial hardship or had a gambling problem and so it wouldn't follow that Uncle Buck would have seen this. I think it would be unreasonable to say they should have asked for these statements as well

The current account statements show that Mr E had enough disposable income to meet the repayments due on the loans comfortably and if Uncle Buck had asked to see Mr E's bank statements it would have considered that the loans were affordable.

Mr E has said that it was Uncle Buck's responsibility to ask him why he needed to keep borrowing so often given his high level of disposable income. He says it was irresponsible for Uncle Buck to have lent to him without asking the purpose of the loans.

I think it would be reasonable for Uncle Buck to have checked that Mr E wasn't dependent on the loans and I can see that it did ask whether he was using the loans to repay other

debts or whether he was in financial difficulty and Mr E confirmed he wasn't. Although Mr E says he was using loans to repay loans this isn't the picture I get from reviewing his bank statements. Mr E is using the loans to gamble but he is repaying the loans and then going on to take out more loans. I agree that it isn't an ideal situation but I can't say that better checks by Uncle Buck would've revealed this.

So while I do think that Uncle Buck Finance should have carried out more detailed checks when agreeing some of the loans, had it carried out better checks I don't think it would have found the loans were actually unaffordable. And I don't think it would have been unreasonable to lend to Mr E. It's because of this that I don't uphold this complaint.

my final decision

My final decision is that I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 25 September 2017.

Emma Boothroyd
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