

complaint

Mr G complains that MEM Consumer Finance Limited (trading as Payday UK) lent him money he couldn't afford to repay.

background

Mr G took out a number of loans with Payday UK between 2012 and 2015. He says he borrowed to support his gambling habit.

Payday UK told Mr G it had carried out adequate checks before agreeing to lend so it wouldn't refund any interest or charges.

The adjudicator recommended that Mr G's complaint be upheld in part. He thought Payday UK's checks went far enough before it agreed the first two loans in 2012. He didn't think Payday UK's affordability assessments were thorough enough before agreeing the loans from 1 March 2013 through to February 2015.

The adjudicator thought that even if Payday UK had carried out better checks, it would've still agreed to lend for loans three to six. Mr G was living at home at the time and the loans appeared affordable.

The adjudicator didn't think Mr G could afford loans seven, eight and nine. If Payday UK had done more to verify Mr G's income and expenditure, it would've realised he couldn't afford the loans. And the adjudicator also thought Payday UK would've found out Mr G was gambling heavily around the time of loans eight and nine.

The adjudicator recommended that Payday UK refund all interest and charges paid on the three loans taken between 1 February 2014 and 4 February 2015. He asked Payday UK to pay interest on the refund. And remove any negative information about these loans from Mr G's credit file.

Payday UK didn't reply to the adjudicator's recommendation so the complaint has come to me for a 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. I've also taken account of the law, any relevant regulatory rules and good industry practice at the time the loans were offered. Having done so, I agree with the conclusions of the adjudicator.

Payday UK was required to lend responsibly. It needed to check whether Mr G could afford to pay the loans back before it lent to him. These checks had to be proportionate to things such as the amount borrowed, the length of the agreement and any borrowing history. But there wasn't a set list of checks that Payday UK had to carry out.

loans one and two

Mr G told Payday UK he earned around £1,200 to £1,250 a month and had outgoings of £100. The repayment on each of these loans was about £258. I think Payday UK's checks were proportionate. Based on the information Mr G gave to Payday UK, I agree these loans appeared affordable.

loans three, four and five

Like the adjudicator, I think it's reasonable to have expected Payday UK to enquire further into Mr G's income and financial commitments before agreeing to lend to him from this point onwards. Mr G had already deferred the first loan and he was due to repay almost £300 for loan three.

However, even if Payday UK had done more checks, it wouldn't have been unreasonable to agree the loans that Mr G took between March 2013 and December 2013.

loans seven, eight and nine

The situation changed from 2014. Mr G had been paying default interest on earlier borrowing. The repayment on the seventh loan was more than £450. This represented a substantial increase on Mr G's previous borrowing. I think this should've prompted Payday UK to ask more questions.

More detailed checks could've included asking to see evidence of Mr G's income and outgoings or looking at his bank statements. If Payday UK had carried out more proportionate checks, it would've realised Mr G didn't have enough disposable income to repay these loans. Mr G's bank account was overdrawn and he was gambling. If Payday UK had known all of this, I don't consider it would've been reasonable to agree to lend further to Mr G.

To put things right, Payday UK should refund any interest and charges applied to the loans it gave from 1 February 2014 until 4 February 2015. It should pay interest on this refund and remove any negative information about the loans (including any searches) from Mr G's credit file.

my final decision

My final decision is that I uphold Mr G's complaint in part. In full and final settlement MEM Consumer Finance Limited (trading as Payday UK) should:

- refund all interest and charges on the loans taken between 1 February 2014 and 4 February 2015;
- pay interest on those refunds at 8% simple* per year from the dates of payment to the date of settlement;
- remove any adverse information about the affected loans from Mr G's credit file.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 7 August 2017.

Gemma Bowen
ombudsman