

complaint

Mr H complains that Ferratum UK Ltd was irresponsible to lend him money,

background

Mr H took out one instalment loan with Ferratum in January 2018. He was due to repay £500 by three monthly instalments, the highest of which was £254.

Mr H says that he had a gambling addiction and when Ferratum lent to him, he had multiple payday loans from other lenders.

The adjudicator didn't recommend that Mr H's complaint be upheld. The adjudicator said that he wouldn't have expected Ferratum to ask for the level of information that would've shown the loan to be unaffordable.

Mr H doesn't agree with the adjudicator's recommendation. He says that other lenders have upheld his claims of irresponsible lending. Mr H says that he is now in a debt management plan.

my findings

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

Ferratum needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr H could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But certain factors might point to the fact that Ferratum should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a customer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr H's complaint.

Ferratum has given us evidence that it asked Mr H for details of his monthly income and it checked his credit file. I can't see anything in Ferratum's credit checks that should have reasonably prompted it to ask more questions than it did.

As it was early on in Mr H's lending history with Ferratum and the maximum repayment on the loan represented a fairly modest proportion of his declared monthly income of £3,000, I think that Ferratum carried out proportionate checks. Based on the information it held about Mr H, it looked to Ferratum as though he could afford to repay the loan.

I don't think it was reasonable to expect Ferratum to independently verify the information that Mr H gave by asking to see bank statements for example. This means that Ferratum couldn't have known about Mr H's gambling addiction unless he'd disclosed it.

I appreciate that Mr H's financial situation was worse than he told Ferratum but I don't consider proportionate checks would've revealed this. It's for this reason that I'm not upholding Mr H's complaint.

I need to consider each complaint on its own merits. This means that even if other lenders have upheld Mr H's complaint about loans taken around a similar time, it doesn't necessarily mean that I must do the same.

my final decision

My final decision is that I don't uphold Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 10 August 2019.

Gemma Bowen
ombudsman