

complaint

Ms L complains that Active Securities Limited trading as 247 Moneybox lent her money she couldn't afford to repay.

background

Ms L took out 22 loans with 247 Moneybox between November 2014 and May 2016. She thinks 247 Moneybox was irresponsible to lend her money. Ms L is also unhappy about the way 247 Moneybox treated her when she told it she was dealing with a debt management company. And she says it didn't send her statements of account despite several requests.

247 Moneybox didn't agree the lending was unaffordable. It recorded a net monthly pay for Ms L of £1,657 with regular monthly outgoings, including credit commitments, of £350. Before agreeing the third loan, 247 Moneybox also asked Ms L whether she wanted to tell it about other debts, including payday loans.

247 Moneybox said it built in a further buffer when considering whether each loan was affordable. By its calculations, Ms L could afford to repay all of the loans.

Before this service became involved, 247 Moneybox offered to pay Ms L £200 as a gesture of goodwill and remove any negative information about the loans from her credit file. Ms L wasn't willing to accept this offer.

The adjudicator thought Ms L's complaint should be upheld in part. She agreed 247 Moneybox should've given Ms L a statement of account but didn't recommend that it compensate her for this. The adjudicator didn't think 247 Moneybox acted unreasonably when it asked her for repayment of the final loan as Ms L didn't make contact to set up a repayment plan.

The adjudicator thought that Ms L's complaint about irresponsible lending should be upheld in part. She thought the lender carried out enough checks before agreeing loans one to three but not from the loan four onwards.

The adjudicator didn't think the fourth loan would've appeared unaffordable. But she thought better checks would've shown Ms L couldn't afford to repay loan five onwards. Ms L owed money to a number of payday lenders and didn't have enough disposable income left each month. Ms L was also gambling.

The adjudicator recommended that 247 Moneybox refund all interest and charges paid on the fifth loan onwards. She asked the lender to pay simple interest of 8% a year on the refund and remove any negative information about the loans from Ms L's credit file. The adjudicator recommended that 247 Moneybox write off any unpaid charges and interest on the final loan before using the refund to settle any outstanding principal balance.

247 Moneybox didn't reply to this recommendation so the complaint has come to me.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I agree with the

adjudicator's recommendations, including what she says about the lender's more recent treatment of Ms L.

Before agreeing to lend, 247 Moneybox was required to make sure Ms L could afford to repay the borrowing. Any checks needed to be proportionate, taking account of various factors including the repayment amount and any borrowing history. But there wasn't a set list of checks it had to carry out.

loans one to three

I agree that 247 Moneybox's checks went far enough for these loans. It asked about Ms L's essential expenses and income. Based on the amount of each loan and the information Ms L gave, it was reasonable of 247 Moneybox to lend.

loan four

By the time Ms L for the fourth loan in January 2015, she'd borrowed twice in November 2014 and had just repaid the third loan. The level of her borrowing had also increased to £200. I think all of this should've alerted 247 Moneybox to the possibility Ms L was becoming reliant on short term loans. It should've tried to find out more about all of Ms L's debts, including any other short term loans.

But even if 247 Moneybox had asked more questions, the fourth loan would've still appeared affordable to her as she had enough disposable income to repay what she owed.

loan 5 onwards

Ms L took this loan about six days after repaying the fourth loan. And it was her second loan in the same month. Given the frequency of borrowing, I think 247 Moneybox should've been concerned that Ms L might be using the loans to help with normal living expenses rather than for one-off, unexpected outgoings.

It was reasonable to have expected Moneybox to establish the fullest possible understanding of Ms L's finances. It could've done this in a variety of ways such as asking to see copies of bills, payslips or things like bank statements.

Ms L has given us bank statements so I've used these to check her outgoings. I can see that just before the fifth loan, Ms L had about £670 of regular financial commitments and £340 of short term lending commitments. Taking these, together with Ms L's other outgoings such as rent, travel and mobile phone costs, meant she didn't have enough disposable income repay the fifth loan.

The situation was similar across the remaining time that Ms L borrowed from 247 Moneybox. Although she she'd started to earn more money, Ms L's short term lending commitments to other lenders grew to more than £1,000 in October 2015 and £1,600 by March 2016.

I can also see Ms L was gambling quite regularly. For example on one day shortly before Christmas 2015, she spent £350 at an online gaming site. There's evidence of Ms L spending similar amounts gambling at various times in 2015 and 2016.

If 247 Moneybox had carried out what I consider would've been more proportionate checks from the fifth loan onwards, as a responsible lender, I wouldn't have expected it to continue to lend.

To put things right 247 Moneybox should refund all interest and charges Ms L paid on the fifth loan onwards together with interest. It should also remove any negative information relating to these loans.

As Ms L had the benefit of the money lent to her, it's fair she repays any outstanding principal balance due on the final loan. 247 Moneybox can apply the refund to this outstanding balance. But it must recalculate the balance to remove any interest and charges but taking account of any repayments Ms L made on the final loan as though they were applied against the principal sum borrowed.

my final decision

My decision is that I uphold this complaint in part. To put things right, Active Securities Limited trading as 247 Moneybox should:

- Refund any interest and charges applied to the fifth loan onwards;
- Add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement*;
- Write off any unpaid interest and charges for the final loan;
- Apply the refund to any outstanding principal balance on the final loan before paying any remaining balance to Ms L; and
- Remove any negative information about the loans referred to above from Ms L's credit file, including any records of searches it's carried out since she complained.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 20 October 2017.

*HM Revenue & Customs require 247 Moneybox to take off tax from this interest. 247 Moneybox must give Ms L a certificate showing how much tax it's taken off if she asks for one.

Gemma Bowen
ombudsman