

complaint

Miss L complains that Instant Cash Loans Limited (trading as Money Shop) wrongly lent her money she couldn't afford to pay back.

background

Miss L took out three loans with the Money Shop. She says that the business didn't carry out proper affordability checks and allowed her to borrow when she was in financial difficulty. Money Shop didn't reply to Miss L's complaint or this service.

Our adjudicator considered that the complaint should be upheld in part. She considered that although she hadn't seen any information from Money Shop, overall given the amount and pattern of borrowing it was reasonable to lend the money to Miss L. But she thought that given Miss L's current financial difficulties she would be unable to repay the last outstanding loan. In these circumstances she considered it would be fair and reasonable for Money Shop to write off this debt and report to the credit reference agencies that it was settled. Miss L agreed but as Money Shop didn't reply the case has been passed 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've reached the same conclusions as the adjudicator for the same reasons.

I can see that Miss L took out three loans with Money Shop. They were all for relatively small amounts and were repaid within a reasonable time frame save for the last loan. I haven't seen anything from Miss L or Money Shop which would suggest that the loans were unaffordable or that Money Shop should have known that Miss L was in difficulty.

I can see from Miss L's credit report that she was starting to experience problems repaying her debts around the time she was borrowing from Money Shop. I haven't seen what affordability checks were carried out by Money Shop but given the amounts involved and Miss L's borrowing and repayment history I agree with the adjudicator that on balance I can't say that Money Shop shouldn't have lent the money to Miss L.

By the time of the last loan Miss L was in financial difficulty and hasn't been able to pay the money back and she has a number of defaults on her credit file for other debts she had at this time. Money Shop hasn't replied to Miss L's complaint or explained to this service any repayment proposals it would accept.

I agree with the adjudicator that there is little prospect of Miss L paying the debt back within a reasonable time frame. Without any response from the Money Shop I think it is fair and reasonable for this debt to be written off and reported as settled to the credit reference agencies. I think this is fair because Miss L has tried to deal with Money Shop and it hasn't replied. In her particular circumstances I think that it is reasonable for the debt to be written off given the length of time it has been outstanding and the fact that Miss L is still in financial difficulty.

my final decision

My final decision is that I uphold this complaint. In full and final settlement of it Instant Cash Loans Limited should write off Miss L's outstanding debt and report it as settled to the credit reference agencies.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 11 July 2016.

Emma Boothroyd
ombudsman