

complaint

Mr F complains that Active Securities Limited trading as 247 Moneybox gave him loans that were unaffordable.

background

The background to this complaint was set out in my provisional decision that I issued in November 2017. An extract from this is attached and forms part of this final decision, so I won't repeat that information here. In summary, I said that had 247 Moneybox carried out proportionate checks on all of Mr F's loans, I thought it would've discovered that loans 5 to 11 weren't affordable for him.

I asked everyone to send me any further comments and information before I reached a final decision. And neither party gave me anything new to think about.

my findings

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've also taken into account the law, any relevant regulatory rules and good industry practice at the time.

Neither party gave me anything new to think about, and the deadline to do so has now passed. So I've reached the same conclusions as I did in my provisional decision, and for the same reasons.

putting things right

To put things right for Mr F, 247 Moneybox should:

- Refund any interest and charges Mr F paid for loans 5 to 11.
- 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*.
- Remove any adverse information recorded on Mr F's credit file in relation to loans 5 to 11.

*HM Revenue & Customs requires 247 Moneybox to take off tax from this interest. 247 Moneybox must give Mr F a certificate showing how much tax it's taken off if he asks for one.

I noted in my provisional decision that 247 Moneybox removed £60 from Mr F's final balance. Given how much Mr F paid for loan 11, it looks like this consisted of interest only – in which case 247 Moneybox can't deduct this from what it now needs to pay Mr F.

In other words, it looks like 247 Moneybox reduced the amount of interest Mr F needed to pay for this loan. And because I think he shouldn't have been in a position where he was paying interest on this loan, then this is something I'd ask them to do anyway. So I wouldn't expect 247 Moneybox to deduct this amount from any refund that Mr F is due.

But if an outstanding balance remains after the interest and charges have been removed (*ie* what Mr F has paid towards loan 11 so far isn't enough to have repaid what he initially borrowed) then 247 Moneybox can deduct this.

my final decision

For the reasons I've explained above and in my provisional decision, I uphold Mr F's complaint in part. Active Securities Limited should pay Mr F compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 27 December 2017.

Renja Anderson
ombudsman

EXTRACT FROM PROVISIONAL DECISION

background

Mr F took out a total of 11 loans from 247 Moneybox between August 2012 and May 2014. Mr F paid some of his loans early, but he didn't repay loans 7, 9 or 11 as per the original credit agreements.

247 Moneybox says that Mr F got in touch with it during his final loan to let it know he was in financial difficulty. And as a result, it froze the interest and charges on the account and agreed a repayment plan. It also says that it finally settled the account by removing £60 from Mr F's final balance.

Here's a summary of Mr F's borrowing history with 247 Moneybox:

loan number	loan amount	date taken	repayment date
1	£120	21/08/2012	31/08/2012
2	£120	01/02/2013	22/02/2013
3	£175	24/02/2013	28/02/2013
4	£250	28/02/2013	28/03/2013
5	£400	28/03/2013	26/04/2013
6	£500	26/04/2013	28/05/2013
7	£600	28/05/2013	09/08/2013
8	£400	17/03/2014	24/03/2014
9	£500	11/04/2014	30/04/2014
10	£200	15/05/2014	28/05/2014
11	£600	29/05/2014	25/09/2015

One of our adjudicators looked into Mr F's complaint. He didn't think any of the affordability checks 247 Moneybox carried out were proportionate. But even if it had carried out proportionate checks, our adjudicator thought that 247 Moneybox would've still given Mr F loans 1 to 3. However, when he looked into Mr F's financial situation, he didn't think loans 4 to 11 were affordable for Mr F. And had 247 Moneybox done everything it should've, he thought it wouldn't have given Mr F these loans.

247 Moneybox didn't respond to our adjudicator's view. So as no agreement has been reached, the complaint has been passed to me to make a final decision.

my provisional 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 into account the law, any relevant regulatory rules and good industry practice at the time.

Having done so, I'm intending to uphold Mr F's complaint with regards to loans 5 to 11. I'll explain why.

247 Moneybox was required to lend responsibly. The regulator under which Mr F's credit was issued was first the Office of Fair Trading (OFT). This changed to the Financial Conduct Authority (FCA) on 1 April 2014. There was no set list of checks 247 Moneybox needed to do under either regulation.

But both were, and are, very clear about the responsibility of the lender to take reasonable steps to ensure that a borrower can *sustainably* repay their loans. In short, this means repaying credit out of income and savings while meeting other reasonable commitments, without having to borrow more.

Both regulators also listed examples of sources of information to assess affordability – these include: record of previous dealings, evidence of income, evidence of expenditure, a credit score, a report from a credit reference agency and information from the borrower.

what checks did 247 Moneybox carry out?

It's not clear what affordability checks 247 Moneybox carried out before March 2014. But it says Mr F's net pay declaration was between £2,600 and £2,900 throughout his relationship with it. 247 Moneybox says that this would've been the customer's provision of their net pay minus essentials/priority bills such as rent, council tax and utilities.

But this approach means that 247 Moneybox would've been very reliant on the consumer understanding what he was being asked for when he was asked to declare his "net pay". And based on what Mr F has told us his income was at the time, it appears that he declared what his *net pay* was, *ie* his salary minus tax.

Overall, I don't consider the "net pay" to be enough for me to say that 247 Moneybox asked Mr F clearly enough about his regular outgoings. So even if 247 Moneybox did ask Mr F for his net pay for loans 1 to 7, I think this would've only been proportionate for loans 1 and 2.

247 Moneybox also says that it analysed credit reports to determine Mr F's credit score. And Mr F's score was above the approval threshold. I've looked at the credit check results that 247 Moneybox has given us to see if the information in them should've prompted it to do more.

loans 1 to 4

Mr F's salary was around £2,700 when he applied for loans 1 and 2. But given his income and the amount he borrowed (£120 for both loans), I don't think there's anything else 247 Moneybox would've needed to do (other than ask about his income). So I don't think it did anything wrong by giving Mr F these loans.

Mr F took out loan 3 just a few days after repaying loan 2. And he borrowed roughly the same amount that he repaid – so £175. Mr F now had a borrowing history with 247 Moneybox – this was now his third loan with it. And Mr F now increased his borrowing to roughly match his previous repayment. So I think it would've been proportionate for 247 Moneybox to specifically ask about Mr F's regular outgoings – in addition to his net pay – to make sure he could afford to repay this loan.

Looking at Mr F's bank statements, his regular outgoings seemed to vary between £1,000 and £2,000 from January to February 2013. So I'm not sure what Mr F would've told the lender, had it asked. But even if he'd given the higher figure, I think it would've still agreed loan 3, given the loan amount and what it knew of Mr F's income. So I can't say it did anything wrong here.

Mr F took out loan 4 on the same day as he repaid loan 3, and he borrowed close to the amount he'd repaid. This was also Mr F's third loan within a month, and fourth overall. So as a responsible lender, I think it would've been proportionate for it to ask if he had any other short term lending commitments at the time, in addition to his regular outgoings.

I don't know what Mr F would've declared as his outgoings, had 247 Moneybox asked. But given what I've said about his outgoings above, and what Mr F has told us about his circumstances at the time, I don't think proportionate checks would've stopped 247 Moneybox giving him this loan either.

loans 5 to 7

Mr F again took out loan 5 on the same day he repaid loan 4, and he borrowed close to the amount he repaid. So I think 247 Moneybox should've had concerns about Mr F's ability to repay his loans sustainably. And I think at this point it would've been proportionate for it to build a full picture of Mr F's financial situation to make sure loan 5 was affordable for him – this would've included verifying the information Mr F was giving. And I think it should've done the same for loans 6 and 7 as Mr F took these out upon repaying the previous loan, and the loan amounts continued to increase.

Had 247 Moneybox done so, I think it would've discovered that Mr F was regularly borrowing a significant amount of money from other short term lenders. For example, in February 2013 he paid over £5,000 to other short term lenders. In March 2013 he paid around £700, but he also took out a further £1,700 in short term lending. In April 2013 he paid around £7,400 to other short term lenders, and in May 2013 this figure was about £6,000. His salary was around £2,800 during this time (except around £3,800 in May 2013), and his normal living costs appeared to be at least £1,300 based on his March 2013 bank statement.

Mr F was also making regular online gambling transactions, which usually amounted to at least £500 a month – and at times up to £1,900. There were some additional transfers coming into Mr F's account, but these appeared to be borrowing from family and friends, or from his employer covering work expenses. I don't consider these to be income or savings as described by the regulations at the time. I say this because they either weren't regular or guaranteed, or they appear to have been used to repay other borrowing or cover work expenses.

In any event, Mr F's short term lending commitments and gambling spending were often so significant that these usually amounted to more than all other funds coming into Mr F's account – even before taking into account his normal living expenses. So had 247 Moneybox looked into Mr F's financial situation, I think it would've concluded that he wasn't able to repay loans 5 to 7 sustainably.

loans 8 to 11

I accept that there were a few gaps in Mr F's borrowing after he repaid loan 7. The longest was between Mr F repaying loan 7 and taking out loan 8 – just over seven months. But I'm also mindful that Mr F already had a borrowing history with 247 Moneybox. He'd been taking out loans upon repaying the previous one, and his borrowing increased with each loan (except for the first two). So Mr F's borrowing history suggested that he was reliant on this type of lending. He also didn't repay loan 7 as per his original credit agreement.

I can also see that when 247 Moneybox ran a credit check for loan 7, this showed that he had missed one payment to another creditor in the last year. But when he applied for loan 8, the credit check now showed that he'd missed four payments, and that he had four delinquencies. These suggest that Mr F had been struggling to repay other credit in line with his agreements. The credit check also showed that Mr F had over £15,000 worth of debt overall, and over £7,000 in loans.

So Mr F's borrowing history with 247 Moneybox suggested that he'd been reliant on this type of lending. And while there was a gap in Mr F's borrowing with 247 Moneybox, the credit check it ran for loan 8 suggested that Mr F's financial situation hadn't improved during that gap – rather, it looked like he'd been struggling to make payments to other creditors. So given the information 247 Moneybox had, I think it would've been proportionate for it to continue to look into Mr F's financial situation in detail, and verify the information he was giving, before agreeing to lend again.

Firstly, there were again some transfers in and out of Mr F's account. But he's explained that some were money he borrowed from his brother. So I don't consider this to be income or savings as he says he was expected to pay this back. The other transfers appear to be money going in and out between his and his wife's accounts – but these usually balance out each month. So it doesn't look like Mr F actually had additional funds coming into his account that he could've used to pay his loans in a sustainable way.

Mr F also continued to borrow a significant amount of money from other short term lenders. In February 2014 he paid around £2,500 to other lenders, in March 2014 around £3,300, in April 2014 around £2,100 and in May 2014 around £1,300. He also continued to gamble.

Mr F's salary was also slightly less than he declared – around £2,100 between February 2014 and April 2014. So just by looking at his salary and other short term lending commitments, I don't think loans 8 to 10 were affordable for Mr F. And I don't think 247 Moneybox should've given him these loans.

Mr F's salary was significantly higher in May 2014, when he took out loan 11 – and his outgoings appeared to increase for that month as well. But I think that at this point 247 Moneybox would've already had enough information to be concerned about Mr F's ability to repay his loans sustainably. Mr F has also explained that the increase in salary was due to working overtime. So I don't think this was a guaranteed income. In fact, in June 2014 his salary was again down to around £2,100 – and that's when he was due to repay loan 11.

I can also see that Mr F had recently defaulted on one of his credit cards – the default balance was around £5,600. He also owed a significant amount of money on his other credit cards, and he defaulted on these shortly after.

So had 247 Moneybox looked into Mr F's financial situation in detail, I think it would've discovered these significant debts with high street lenders. And as a responsible lender, I don't think it would've given Mr F loan 11 either.