

complaint

Mr J complains that Express Finance (Bromley) Limited (trading as Payday Express) gave him unaffordable payday loans. He wants a refund of his interest and charges and for a default to be removed from his credit file.

background

Mr J had two loans from Payday Express in 2013. It said it carried out appropriate checks on affordability and approved them. But Mr J said they were unaffordable and shouldn't have been given. He said he had other loans and was in financial difficulties.

Our adjudicator recommended that the complaint should be upheld in part. She thought Payday Express had made proportionate checks on the first loan. But Mr J had trouble repaying this on time and then asked to borrow a larger sum. She thought Payday Express should have made further checks before giving him the second loan. She thought these would have shown that the loans were unaffordable. So she thought it should waive the interest and charges for this second loan and remove it from Mr J's credit file.

Payday express didn't reply to the adjudicator's view, 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.

Mr J's first loan was for £300. He had to defer repayment twice and incurred a fee for this. Five days later, he took out a loan for £500. He was unable to repay any of this. He defaulted on this loan and still owes an outstanding amount.

Lenders are obliged to make sufficient and proportionate checks to make sure that loan repayments are affordable without undue hardship.

Payday Express said it carried out a credit check before approving each loan. But I can't see what these checks found. It also asked Mr J for his net monthly income and expenses to calculate his disposable expenditure. This was £660.

I agree with the adjudicator that sufficient and proportionate checks were made that the first loan was affordable. It was well within Mr J's disposable income.

After Mr J had finally managed to repay this loan, he asked Payday Express for £500. We expect a lender to be alert to any warning signs of financial difficulties that might trigger concerns about a dependency on payday lending or that further checks were needed.

Mr J had deferred his first loan twice. He was borrowing again almost immediately he'd repaid it. The amount accounted for most of his disposable income. So I think Payday Express should have been alerted to make further checks on Mr J's circumstances. But I can't see that it did this.

It could, for example, have looked at Mr J's credit file or his bank statements. Mr J has provided us with these from the time of his loans. The credit file shows other loans and a default just before his second loan. The bank statements show that Mr J's spending exceeded his income. He was gambling. He was in his overdraft. He was borrowing from other lenders and was dependent on payday loans.

So I think if Payday Express had made further checks when Mr J asked for his second loan, it would have found that the loan was unaffordable for him and so declined it. I think its lending for this loan was irresponsible. As it turned out, Mr J was unable to make any repayments for this loan.

To put things right, I think Payday Express should waive the interest and charges for this loan. Mr J should repay the principal, as he's agreed to do. Also, I think it should remove adverse information relating to this loan from Mr J's credit file.

my final decision

My final decision is that I uphold this complaint in part. I require Express Finance (Bromley) Limited (trading as Payday Express) to do the following:

1. Waive the interest and charges for Mr J's second loan.
2. Remove adverse information relating to the loan from Mr J's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 19 December 2016.

Phillip Berechree
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