

complaint

Mr E complains about instalment loans he's taken out with Cashbridge Corporation Ltd (trading as Credio) which he says were unaffordable, so the loans shouldn't have been given to him.

background

The background to this complaint was set out in my provisional decision dated November 2017. And details of the background to this complaint is as follows;

A summary of Mr E's borrowing is as follows;

| loan number | loan amount | received date | contractual monthly repayment | number of contractual repayments |
|-------------|-------------|---------------|-------------------------------|----------------------------------|
| 1 | £70.00 | 24/12/2014 | £41.87 | 2 |
| 2 | £90.00 | 18/02/2015 | £55.03 | 2 |
| 3 | £110.00 | 27/03/2015 | £67.00 | 2 |
| 4 | £200.00 | 08/05/2015 | £67.68 | 4 |
| 5 | £150.00 | 28/07/2015 | £49.17 | 4 |
| 6 | £300.00 | 23/10/2015 | £75.75 | 4 |
| 7 | £250.00 | 20/02/2016 | £82.16 | 4 |
| 8 | £100.00 | 21/06/2016 | £60.86 | 2 |
| 9 | £200.00 | 22/08/2016 | £73.30 | 4 |
| 10* | £200.00 | 17/12/2016 | £80.06 | 4 |

**Mr E had some problems repaying his final loan and at the time of the complaint an outstanding balance remained.*

Our adjudicator looked at Mr E's complaint and he felt the checks Credio carried out before agreeing to the first four loans went far enough – so the adjudicator didn't think Credio was wrong to have given Mr E these loans.

But the adjudicator thought that by loan 5 Credio should've asked some questions about Mr E's currently financial situation – perhaps obtaining an up to picture of any outstanding short term credit commitments he may had had. And for all remaining loans Credio should've had a full picture of Mr E's financial position and the adjudicator suggested one way of doing this would've been to have reviewed his bank statements.

Had Credio carried out proportionate checks, Credio would've likely found out that Mr E didn't have enough disposable income to afford these loans because of his living costs and commitments to other short term lenders. So the adjudicator recommended that Mr E's complaint be partly upheld.

Credio didn't agree with the adjudicator's recommendation. In response it made a number of points, including that Mr E repaid some of his loans early – which would indicate they were affordable for him.

No agreement could be reached so the case has been passed to me for a final decision.

Mr E agreed with the adjudicator's recommendation – so as there is no dispute about whether the first 4 loans should've been given. So I won't be looking at those loans in this decision. Instead, I'll look at whether the checks went far enough for loans 5 – 10.

In my provisional decision I set out why I was minded to partly uphold the complaint. I invited both parties to let me have any further comments and evidence. Mr E has told us he doesn't have anything further to add. Credio didn't respond to the provisional 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. As Mr E didn't have anything further to add and Credio didn't respond, I see no reason to depart from what I concluded in the provisional decision. So I partly uphold Mr E's complaint and I've explained my reasons for doing so below.

Credio had to gather enough information to be able to make an informed decision as to whether it was going to lend. But the guidance and rules don't set out what checks must be done before lending is approved. However, Credio needed to conduct enough checks to make sure the loan was affordable to Mr E. And these checks needed to be proportionate to a number of things such as the size of the loan and when the loan was due to be repaid.

But even if the checks Credio carried out weren't proportionate, that alone doesn't mean Mr E's complaint should be upheld. I say this because, it's possible, that had further checks been carried out by Credio, these would've shown Mr E was able to repay his loans. So Credio wouldn't have been wrong to lend him the money.

Credio says it carried out affordability checks on each loan. But Credio has only shown me the information it gathered from Mr E for his final 5 loans. And based on what I've seen, Credio asked information about Mr E's income, his job and collected information about his living costs. Credio asked for information such as rent / mortgage, transport and bills. But when Credio collected this information it asked for the costs for Mr E's expenditure within a range. For example when Mr E's fifth loan was approved, he confirmed his rent / mortgage payments were between £201 and £300 per month.

Credio says that based on the information it gathered about Mr E, it was reasonable to lend to him. But I've thought about what Credio says and Mr E's circumstances at the time each loan was approved. And having done so, I don't think the checks Credio carried out were proportionate for the loans I'm looking at.

By the time of loan 5, I think Credio needed to do more. This was now Mr E's fifth loan in 6 months – and a pattern of borrowing had developed. So although Credio took details of Mr E's income – which appears to be broadly correct and details of some of his expenditure. I don't think these checks went far enough. By now, Credio should've had a thorough understanding of Mr E's financial position and it should've been verifying the information he had provided.

Credio could've verified the information a number of ways. If could've, for example asked to see evidence of his income and his outgoings. Or, as I've done here, it could've asked to review his bank statements. The bank statements are the best indication of Mr E's ability to afford the loan at the time it was approved, so I don't think it was wrong to rely on these.

Having looked at Mr E's bank statements, I can see that the income Mr E declared to Credio is broadly correct. But, I can also see that at the time the loan was approved his living costs – including his regular financial commitments came to around £2,000. He had also recently repaid 13 other short term lenders over £1,400 and in the month before Mr E took this loan Credio would've seen that Mr E had gambled over £1,000. So a proportionate, check would've likely brought this to Credio's attention, and the checks would've shown that Mr E couldn't afford to repay what he was borrowing. So as a responsible lender, Credio wouldn't have given Mr E the loan.

And Mr E continued to regularly borrow from Credio, so I still think that for the remaining loans Credio should've been verifying the information Mr E had provided. I've reviewed Mr E's bank statements throughout the remaining period of borrowing, and I can see that his financial position remains broadly unchanged. He continues to borrow from and makes payments to a number of different short term lenders. For example, shortly before loan 6 was approved, Mr E repaid over £1,300 to 12 other lenders and nearly £1,200 before loan 7. And at times, he was still spending significant amounts each month gambling – when loan 6 was approved he had spent nearly £4,000. Again, proportionate checks would've brought this to Credio's attention, and as a responsible lender it wouldn't have given Mr E any of the remaining loans.

I've considered that Credio says the amounts Mr E borrowed didn't always increase – and I can see this to be the case. But, the terms of the loan started to increase, the early loans were for 2 month terms, while the later loans tended to be repaid over 4 months. But, Credio was still required to carry out proportionate checks, and given the frequency of borrowing I think it needed to carry out more thorough checks. And had it done so, it would've seen that Mr E wasn't in a position to sustainably repay loans 5 – 10.

And likewise, I don't agree with Credio that just because Mr E repaid some of his loans, that meant he was able to afford the loans. Indeed proportionate checks, would've most likely shown Credio that Mr E wasn't in a position to take on these loans.

what Credio should do to put things right

To put things right for Mr E, Credio should:

- refund all the interest and charges applied to loans 5 – 10,
- add interest at 8% per year simple on the above interest and charges from the date they were paid to the date of settlement †;
- Credio can deduct from this figure, any outstanding principal which remains on the final loan and
- remove any adverse information recorded on Mr E's credit file because of these loans.

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

my final decision

For the reasons I've explained, I partly uphold Mr E's complaint.

Cashbridge Corporation Ltd should put things right for Mr E by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr E to accept or reject my decision before 8 January 2018.

Robert Walker
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