

## **complaint**

Mr L complains about six payday loans he took out with Uncle Buck Finance LLP. He says he couldn't really afford the loans and Uncle Buck Finance should never have agreed to lend him the money.

## **background**

Mr L took out six short term loans with Uncle Buck Finance. The loans were between April and September 2015 and ranged from £250 to £560. All the loans were repaid. Mr L complained to Uncle Buck Finance as he believes the loans should never have been agreed. He says he had other lending and gambling and couldn't afford to repay the loans.

After complaining to Uncle Buck Finance Mr L referred his complaint to us. One of our adjudicator's reviewed the complaint but didn't feel it should be upheld. She felt that looking at the circumstances, Uncle Buck Finance should have carried out further checks into Mr L's circumstances when lending some of the later loans. However, she looked at Mr L's bank statements but thought that these didn't demonstrate Mr L couldn't afford to repay the loans. It was because of this that she didn't think Uncle Buck Finance should refund any of the interest and charges applied to the loans.

Mr L didn't accept the adjudicator's conclusions so the complaint has been referred to me for consideration.

## **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 have come to the same overall conclusions as the adjudicator, for what are broadly the same reasons.

When deciding to lend to Mr L, Uncle Buck Finance was required to carry out an affordability assessment to ensure Mr L could afford to repay what he was borrowing. That assessment wasn't exhaustive but should have been proportionate to the lending. What exactly is proportionate will depend on the circumstances but should really look at the size of the loans against any income and expenditure. It should in my view also look at the number and or frequency of the loans.

Mr L took out six loans within five months. The first two loans were for £250 and £225 respectively. The third loan was a little higher at £375. The first loan was taken out on 10 April, the second on 30 April and the third on 29 May. Mr L's income was recorded as £2,300 each month, with his expenditure as £830. Considering what Uncle Buck Finance knew about Mr L's circumstances when agreeing the initial loans, I don't think there was anything that indicated Mr L wouldn't be able to repay the loans. I also think that the level of checks it carried out at the beginning of the lending was reasonable and proportionate.

As the name suggests, a payday loan is a short term product and is designed to provide a quick solution to a short term financial problem, or cash flow issue. They are expensive forms of credit and aren't intended to be used for long term borrowing needs. Mr L took out six loans in five months and each loan was quickly taken out after the previous one had repaid. Looking at the number and timing of the lending here I think that this should have alerted Uncle Buck Finance to the possibility of Mr L being dependant or reliant on short term lending. Because of this, I think that the proportionality of any checks it carried should

have increased. Uncle Buck Finance should therefore have increased the depth of its checks the more frequently Mr L borrowed.

However, although Uncle Buck Finance should have made further checks into Mr L's circumstances, to uphold this complaint I'd need to be satisfied that those checks would've shown Mr L couldn't afford the loans. But I have looked closer at Mr L's financial circumstances and his bank statements from the time of the lending. And having done so, I'm not completely persuaded that Mr L couldn't actually afford the loans.

Mr L did have additional borrowing alongside the Uncle Buck Finance loans. But Mr L still had considerable disposable income after he had met all of his essential or existing financial commitments. This was more than sufficient to repay the borrowing each month. I can see that Mr L was gambling, but after very carefully considering this, I don't think I can say that it would have been unreasonable of Uncle Buck Finance to lend if it knew of Mr L's gambling. The amounts here, when considered alongside Mr L's broader circumstances and disposable income were not significantly excessive.

So while I do think that Uncle Buck Finance should have carried out more detailed checks when agreeing some of the loans, had it carried out better checks I don't think it would found the loans were actually unaffordable. And I don't therefore think it would have been unreasonable to lend to Mr L. It's because of this that I don't therefore believe this complaint should be upheld.

### **my final decision**

My final decision is that I do not uphold this complaint.

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

Mark Hollands  
**ombudsman**