

## complaint

Mr C complains that MEM Consumer Finance Limited (trading as Payday UK) gave him loans that were unaffordable.

## background

During 2009 and 2010 Mr C borrowed three payday loans from Payday UK, as follows:

Loan	Amount	Date of loan	Date repaid
1	£100	8.10.09	16.11.09
2	£200	21.12.09	16.4.10
3	£200	12.5.10	9.7.10

Mr C is unhappy that Payday UK gave him loans which were which were unaffordable for him and were repeatedly rolled-over. He's also complained that Payday UK have provided details of seven different loan IDs but have considered his complaint only in respect of three loans.

Payday UK contends that, based upon the information Mr C provided, it was satisfied that its loans were affordable, that there were no issues of concern to it and that he wasn't reliant upon borrowing from it.

Our adjudicator felt that Payday UK had done nothing wrong in providing loan one. However, she didn't think that its checks for loans two and three went far enough. But, she was unable to determine whether better checks would've likely led to a different conclusion because she had insufficient information available with which to make a reasonable assessment. So, she didn't recommend that Payday UK should be asked to do anything further.

Mr C didn't agree. He felt that Payday UK should've done further checks, including obtaining credit reports. If it had done so he believes it would've seen that he was caught in a spiral of payday loans and that, as such, its loans weren't affordable to him. Because he doesn't agree he's asked, as he's perfectly entitled to do, that his complaint be considered by an ombudsman.

## my 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 the loans were offered.

Payday UK was required to lend responsibly. It needed to make checks to see whether Mr C could afford to pay back the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr C was borrowing and his lending history, but there was no set list of checks that Payday UK had to do.

Having reviewed Payday UK's files I can see that Mr C had three loans. However, two of these loans were subject to extensions, on a total of four occasions. Each time a loan was extended a new loan ID was generated in Payday UK's system and this accounts for the confusion in the number of loan IDs referred to by Mr C. I'm content that, in assessing Mr C's complaint, Payday UK has considered all of its lending to him at this time.

Payday UK has shown us that, before each loan, it asked Mr C for details of his monthly income. He declared this, on each occasion, to be £1,900. Its records suggest that no further information was sought.

Loan one was for £100 and was repaid in full in line with the agreement. This was Mr C's first loan with Payday UK, it was for a short term and the amount to be repaid, at £125, would've seemed relatively modest compared to his income. I think that, in these circumstances, the loan would've appeared affordable and my view is that it was reasonable for Payday UK to rely solely upon the information it had been given. I don't believe it was wrong to provide this loan.

There was a gap of just over one month between loan one being repaid and loan two being given. Loan two was for a higher value. I think that, against that background, Payday UK should've asked more questions of Mr C, including details of his normal monthly living costs and any regular financial commitments. I can't see that it did so and, as such, I don't think that its checks went far enough.

Loan two was originally scheduled to be repaid in January 2010 but it was deferred by Mr C on three occasions (whereby portions of the principal loan were repaid, along with interest, but the residual balance was then extended for a further month). It was ultimately repaid in April 2010.

Mr C then applied for loan three around one month later. I think that, given he'd been borrowing from it for the majority of the past seven months, Payday UK ought to have been questioning whether Mr C had become dependent upon short term lending. So, in addition to asking for details of regular income and expenditure, I'd have expected it to also seek information on any other short term loan commitments he might have. I can't see that it did this and so, here again, I don't think its checks went far enough.

Having concluded that Payday UK's checks didn't go far enough for loans two and three, I must now consider whether it might have come to any different lending decisions if it had carried out the better checks that I consider to be proportionate. Clearly it's very difficult at this stage to be sure about what Mr C would've told Payday UK if it had asked him for details of his expenditure and borrowing commitments, of both a regular and short term loan nature.

Mr C has told us what he recalls his expenditure to have been at that time, which amounts to around £2,145 per month. On the face of it this would imply that the loans were unaffordable. Unfortunately, though, there's no way for Mr C's expenditure to be validated as it's not been possible for him to obtain copies of his bank statements going back so far in time. The oldest available bank statements date from February 2012, some 18 months after the last loan was repaid. Similarly, the credit report provided to us carries information about Mr C's loans and other borrowings going back only to 2012.

Mr C has suggested that he'd have expected Payday UK to have carried out credit checks before it lent to him, and that it should, therefore, be able to provide the results of these checks to us. However, there has never been a requirement for the lender to carry out credit checks and its records supplied to us suggest that it didn't do so.

I can see from both the later bank statements and credit report that Mr C has been a prolific borrower across many years, and has also been gambling extensively. So, I don't dispute what Mr C says about experiencing financial difficulties at the time these loans were taken in 2009/10. Unfortunately, however, I have no evidence whatsoever to support this and, without

that, I regret that I'm unable to conclude whether or not Payday UK would most likely have given the latter two loans if it had done the better checks that I believe it ought to have undertaken. I am, therefore, unable to say that Payday UK was wrong to provide these loans.

I'm sorry that this will come as a disappointment to Mr C but, in these circumstances, I'm not able to uphold his complaint.

**my final decision**

For the reasons set out above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 3 May 2019.

Richard France  
**ombudsman**