

complaint

Mr D complains that Novaloans Ltd (trading as Cash4unow) lent to him irresponsibly.

background

Mr D took out a total of three loans from Cash4unow between September and November 2018.

Loan	Date borrowed	Amount	Date repaid	
1	08.09.18	£400	06.11.18	£125.89
2	06.11.18	£770	12.11.18	£244.26
3	12.11.18	£770	-	£235.96

Each of the three loans was repayable in six monthly instalments.

Mr D believes Cash4unow was irresponsible to lend to him. He says, in summary, that it didn't carry out enough checks after it made the first loan. And he thinks that any responsible lender would have had questions about his repeated borrowing over such a short period of time. He says the loans have caused him stress and financial hardship, and trapped him into a spiral of debt. Mr D's told us he had to borrow from his family to repay the first two loans, but he says he can't do that to repay the third loan.

Our adjudicator didn't recommend that the complaint should be upheld. In summary, he thought the checks Cash4unow had carried out were proportionate. And based on the information it had, he didn't think it had been irresponsible to make the loans.

Mr D wasn't happy with the adjudicator's view. So the complaint's been passed to me.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've set out our approach to complaints about short-term lending – including all of the relevant rules, guidance and good industry practice – on our website.

Cash4unow needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure that Mr D could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Cash4unow should fairly and reasonably have done more to establish that any lending was sustainable for a consumer. These factors include:

- the lower a customer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);

- the higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the greater the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr D's complaint.

As I mentioned earlier each of Mr D's loans was repayable over a six month period. So the amounts that he needed to repay each time were smaller than if he'd taken a normal payday loan. But of course he was committing to making those repayments over a significantly longer period.

I acknowledge that Mr D says his monthly expenditure was actually higher than he declared to Cash4unow. But Cash4unow was entitled to rely on the information Mr D gave it about his income and regular monthly expenditure, in the absence of anything to suggest that it was likely to be unreliable. And on the basis of those figures, I'm satisfied that the loan repayments would have appeared to be relatively comfortably affordable for Mr D.

I think that Cash4unow should have had some concerns that Mr D repaid his first two loans early and then immediately applied to borrow again. That might have been a sign that his finances were under some pressure. But against that, Mr D didn't appear to have any difficulties making his repayments.

Overall, given what was apparent about Mr D's circumstances at the time, and his borrowing history with Cash4unow, I don't think it would have been proportionate for Cash4unow to ask Mr D for the amount of information that would have been needed to show that the lending was unsustainable for him.

I appreciate that Mr D's finances were, in fact, under some pressure at the time. He's commented that if Cash4unow had asked to see his bank statements, it would have seen a large amount of gambling. And he believes it would have realised that he wouldn't be able to repay his borrowing sustainably.

But I think it was reasonable for Cash4unow to rely on what Mr D said about his income and expenditure. I'm satisfied that there wasn't anything in the information that Cash4unow should have been aware of which meant that it would have been proportionate to expect it to carry out more detailed affordability checks, or to start verifying what Mr D told it by, for example, requesting copies of his bank statements. So I'm sorry to disappoint Mr D, but I don't think Cash4unow was wrong to give him the loans.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 6 January 2020.

Juliet Collins
ombudsman