

## **complaint**

Mr M complains that MEM Consumer Finance Limited (trading as Payday UK) gave him loans that he couldn't afford to repay. He asks for compensation for his losses. Mr M is represented by a claims management company.

## **background**

Mr M took out five loans with Payday UK between 2010 and 2012.

Our adjudicator said our rules don't allow us to consider Mr M's complaint about loans 1 to 3. There was a break of about six months between Mr M repaying loan 3 and taking out loan 4.

Our adjudicator said it wasn't wrong for Payday UK to offer loan 4. But it shouldn't have offered him loan 5. There were signs Mr M had trouble repaying loan 4 – he deferred repayment four times. And he asked for loan 5 a week after repaying loan 4 and the amount was significantly more. Payday UK was aware that Mr M had shown similar difficulties when repaying the earlier loans.

The adjudicator said Payday UK should refund interest and charges on loan 5, with 8% interest, and remove negative information about it from Mr M's credit file.

Payday UK agreed. Mr M didn't agree saying he'd had more than 20 loans with Payday UK and was entitled to more compensation.

## **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 general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Mr M took out loan 4 in October 2011. He'd repaid his previous loan with Payday UK in March 2011. Mr M told Payday UK his monthly income was £2,300. The repayment due later in October was £337.50. Mr M deferred repayment four times, repaying loan 4 in February 2012.

Mr M took out loan 5 about a week later. The repayment of £837.50 was due in March 2012. He was unable to repay the loan. Mr M entered a debt management arrangement in May 2012. He repaid loan 5 in instalments, making the last payment in August 2015.

Payday UK 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 Mr M 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 Mr M'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 suggest that Payday UK should fairly and reasonably have done more to establish that any lending was sustainable for the consumer.

Given Mr M's stated income, the amount of loan 4 and the break since he'd last borrowed from Payday UK I don't think it was wrong for Payday UK to offer loan 4 to Mr M. I don't think it had any reason to think Mr M would have difficulty repaying loan 4.

But I don't think Payday UK should have offered loan 5 to Mr M. Mr M had deferred repayment of loan 4 on four occasions. He asked for loan 5 less than a week after repaying loan 4 and asked for a larger amount. I think Payday UK should have known that further lending wasn't sustainable.

I don't think Payday UK should have offered loan 5 to Mr M. So it should:

- refund all interest and charges Mr M paid on loan 5;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement†;
- remove any negative information about loan 5 from Mr M's credit file;

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

Mr M says he took out about 20 loans with Payday UK. He hasn't provided evidence of this. The information provided by Payday UK is consistent with Mr M taking out five loans. I can't reasonably look into Mr M's concerns without evidence there were more loans.

### **my final decision**

My decision is that I uphold part of this complaint. I order MEM Consumer Finance Limited to take the steps and pay the compensation set out above, as it's agreed to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 14 July 2019.

Ruth Stevenson  
**ombudsman**