

complaint

Mr G complains that Active Securities Limited (trading as 247 Moneybox) made short-term loans to him when it shouldn't have.

background

From May 2011 to May 2012, 247 Moneybox made twelve loans to Mr G. He repaid them. But 247 Moneybox made a thirteenth loan which he didn't repay until late 2015. In late 2016 Mr G complained that the loans hadn't been affordable for him.

The adjudicator recommended that the complaint should be upheld. He thought that if 247 Moneybox had done better checks it would've known that Mr G couldn't afford or would find it difficult to repay the loans. The adjudicator recommended that 247 Moneybox should:

1. refund all interest and charges that Mr G paid from loan 3 onwards;
2. pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement;
3. remove any negative information from loan 3 onwards from Mr G's credit file.

247 Moneybox disagrees with the adjudicator's opinion. It says, in summary, that there was no requirement in 2011 and 2012 to ask customers for a breakdown of their net pay minus essential/priority bills (e.g. mortgage or rent, council tax, utility bills etc.). But 247 Moneybox says it built in a 55% margin of error on Mr G's net figure.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Before agreeing to lend to Mr G, 24/7 Moneybox had to check each time that he could afford to repay the loan. Affordability checks should be proportionate. There's no set list of proportionate checks. What's proportionate depend on things like – but not limited to - the size of the loan the repayments and the information the lender had about Mr G.

From its statements and his bank statements, I think the 247 loans to Mr G were as follows:

loan number	date of loan	amount of loan (£)	date loan repaid
1	13 May 2011	£100	31 May 2011
2	2 June 2011	£155	30 June 2011
3	30 June 2011	£230	29 July 2011
4	29 July 2011	£305	31 August 2011
5	31 August 2011	£395	30 September 2011
6	22 October 2011	£485	30 November 2011
7	1 December 2011	£485	23 December 2011
8	28 December 2011	£485	31 January 2012
9	3 February 2012	£485	29 February 2102
10	1 March 2012	£585	30 March 2012
11	30 March 2012	£585	30 April 2012

12	1 May 2012	£585	31 May 2012
13	31 May 2012	£585	28 October 2015

From its file I accept that 24/7 Moneybox recorded Mr G's monthly income as £1,900. I find it more likely than not that this figure came from Mr G.

Loans 1 and 2 required repayments which were a small proportion of that income. So I'm satisfied that – at that stage - 247 Moneybox did proportionate checks by asking Mr G about his income.

Immediately after he paid off loan 2, Mr G applied for the third loan in as many months .Loan 3 required a repayment of a larger proportion of Mr G's recorded income.

So I think proportionate checks would've included – at that stage - asking him not only about his income but also about his normal living costs and regular financial commitments. I think it should've done such checks for loan 3 and the later loans.

247 Moneybox asked Mr G his monthly outgoings such as mortgage or rental payments, utility bills, credit commitments, travel and food. But it recorded Mr G's expenditure as zero. I don't think it was reasonable for 247 Moneybox to accept that as correct. I don't accept that such a check was a proportionate check on affordability as 247 Moneybox didn't properly assess the information it had.

I think that 247 Moneybox should've asked Mr G to confirm his outgoings. I think that if it had done this further check, 247 Moneybox would've found out that Mr normal living costs were over £1,000. And he had regular financial commitments of over £600. So I don't think he could afford to repay loan 3 in a sustainable way – that is without further short-term borrowing.

Immediately after he repaid loan 3, Mr G took loan 4. It required a higher repayment. So I think that – at that stage – proportionate checks should've included not only asking about Mr G's income, normal living costs and regular financial commitments but also about other short-term financial commitments.

247 Moneybox continued to record Mr G's outgoings as zero. So I don't think there's enough evidence that it did proportionate checks.

If it had done such checks, I find it likely that 247 Moneybox would've found out that – in addition to his normal monthly living costs and regular financial commitments - Mr G had already taken other short-term loans. For example, in July 2011 he had already borrowed £400 from another short-term lender and was committed to repay it with interest.

Immediately after he repaid 247 Moneybox loan 4, Mr G took loan 5. It required repayment of a significant proportion of his income. And it was the fifth loan in five months.

So at that stage I think that proportionate checks would've been enough checks to get a full picture of Mr G's financial circumstances. Such checks might've included asking Mr G for copies of payslips, bills and bank statements. I think it should've done such checks for loan 5 and the later loans.

There's not enough evidence that 247 Moneybox did such checks.

From the bank statements I've seen, it's clear that Mr G was borrowing to fund a gambling habit.

So I don't think that 247 Moneybox would've made loans 3, 4 or 5 if it had done proportionate checks.

But it did make those loans and Mr G paid interest on them.

And 247 Moneybox went on to make further – larger – loans to Mr G. His financial situation was getting worse.

Therefore I find it fair and reasonable to make orders in relation to loan 3 and later loans.

I will order 247 Moneybox to refund all interest and any charges that Mr G paid. I will also order it to pay interest at our usual rate. I will also order 247 Moneybox to remove from Mr G's credit file all adverse information relating to those loans.

my final decision

For the reasons I've explained, my final decision is that I order against Active Securities Limited (trading as 247 Moneybox) to (in relation to its loans on and after 30 June 2011):

1. refund Mr G each amount of interest and charges that he paid;
2. pay simple interest at a yearly rate of 8% on each such amount from the date Mr G paid it to the date 247 Moneybox refunds it. HM Revenue & Customs requires 247 Moneybox to take off tax from this interest. It must give Mr G a certificate showing how much tax it's taken off if he asks for one.
3. remove adverse information from Mr G's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 15 September 2017.

Christopher Gilbert
ombudsman