

complaint

Mr M complains about loans he took out with Indigo Michael Limited T/as SafetyNetCredit. He believes he should never have been lent to as he couldn't afford to repay the loans because of his existing commitments and gambling addiction.

background

Mr M borrowed £300 from SafetyNetCredit in December 2013. The money was lent on a rolling credit type basis where Mr M could choose to repay some or all of the loan and interest. Once repaid, he could also then re-draw money from the account.

Mr M's initial credit limit of £300 was increased periodically and reached £700 in June 2015. It then reduced to £500, up again to £560 and down finally to £400. Over the period of the account Mr M withdrew and repaid numerous amounts.

Mr M complained to SafetyNetCredit about the lending and why he thought the loans shouldn't have been agreed. Unhappy with its response, he referred his complaint to our service.

One of our adjudicators reviewed what the parties had said and ultimately found that it was irresponsible to lend to Mr M in his specific circumstances. He recommended SafetyNetCredit refund the interest and charges applied to the account and remove any negative reporting that may have been applied to Mr M's credit file.

SafetyNetCredit 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've upheld this complaint for reasons that are broadly the same as the adjudicator's.

When lending money to a consumer SafetyNetCredit is required to ensure the consumer can repay the borrowing in a sustainable manner without it adversely impacting on his financial situation. A lender should obtain sufficient information to make an informed decision about the lending. Exactly what the lender should consider is for each lender to decide and the guidance and rules lists a number of things each lender may wish to consider. Any checks should be proportionate, based on the size of the borrowing.

In this instance, Mr M initially borrowed £300 from SafetyNetCredit. The type of credit facility allowed money to be repaid and then withdrawn again, within the credit limit.

The limit on Mr M's account increased to £700 at its peak but was more consistently around the £500 point.

SafetyNetCredit has told us that as part of its checks when deciding to lend it looks at the potential borrower's bank account. It typically looks at three months transactions on the bank account to get a clear and true picture of whether the loan is affordable. This is what I understand happened in Mr M's case. SafetyNetCredit also reviews the account details

again when further borrowing is agreed and it would have therefore looked at Mr M's bank account numerous times during its relationship with him.

I agree that looking at a potential borrower's actual income and expenditure is a worthwhile exercise and should be more accurate than expecting someone to recall exactly what they spend each month. However, considering the circumstances of this particular complaint I'm not persuaded that Mr M's circumstances were considered appropriately.

In December 2013 when Mr M borrowed the initial £300 his previous three months bank statements would have shown a significant amount of expenditure to existing credit cards, other credit, payday loans and gambling. Mr M spent over £1,400 on gambling in October 2013 and more than £3,700 on gambling in November 2013. I note that Mr M did receive some 'winnings' from gambling but this was at least £860 less than he spent at the time.

SafetyNetCredit's records show that Mr M paid £510 and £943 to payday lenders in November 2013 and December 2013 respectively. Its credit check on Mr M showed a number of things about his credit history. Some of this included 36 accounts opened in the last 36 months and £17,250 '*balances on active accounts exc [excluding] mortgages*'.

I've referred to a brief period of Mr M's circumstances here but this was typical of his finances over the period of time he was with SafetyNetCredit. The lending and gambling continued, significantly through the time Mr M was with SafetyNetCredit. I again accept that Mr M did receive some money as a result of his gambling but these payments were far outweighed by the amount he was spending on gambling.

As part of my investigation I've also considered that Mr M was working and typically received an income in the region of £3,000 each month. Some months he also received a bonus in addition to his regular salary. This income is not however significant when comparing it to Mr M's expenditure.

Having considered very carefully what all parties have submitted in this complaint I'm not persuaded that Mr M should have been lent to by SafetyNetCredit. It had more than enough information to accurately consider Mr M's financial position. Having looked at the circumstances here, I think it should have been obvious that Mr M was living beyond his means, which was likely to have been caused by his compulsion to gamble. I think that the lending from SafetyNetCredit, and other parties, was used to fund his gambling or other existing commitments, which he couldn't afford because he'd already spent money on gambling. It seems as though he was caught in a significant cycle of lending and gambling.

Mr M has had the benefit of the money and I understand the loans and interest have all been repaid. A significant amount of the repayments to SafetyNetCredit are likely to have come from other borrowing or gambling proceeds. I don't think that it would be reasonable here to expect SafetyNetCredit to refund everything that Mr M has paid. Having had the benefit of the loan proceeds I think it only fair that Mr M repays the capital amounts he borrowed. Had SafetyNetCredit acted responsibly and declined the loans Mr M wouldn't however have incurred the significant interest and charges applied to the borrowing.

To settle the complaint SafetyNetCredit should therefore refund all the interest and charges applied to Mr M's accounts. Any adverse information recorded on Mr M's credit file should also be removed.

my final decision

My final decision is that I uphold this complaint and I direct Indigo Michael Limited T/as SafetyNetCredit to refund all interest and charges applied to Mr M's accounts. Any adverse or negative information applied to his credit file should also be removed.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 June 2016.

Mark Hollands
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