

complaint

Mr B complains that MYJAR Limited gave him loans that he couldn't afford to repay.

background

Mr B was given two loans by MYJAR. Both his loans were scheduled to be repaid in six monthly instalments. The first loan, for £650, was taken in April 2017. Mr B repaid that loan two months early in August 2017. On the same day he repaid that loan, Mr B borrowed again. This time he borrowed £600. But Mr B hasn't been able to keep up with his repayments on this loan and a balance remains outstanding.

Mr B's complaint has been assessed by one of our adjudicators. He thought that the checks MYJAR had done before each loan had been proportionate. And he thought those checks suggested that Mr B was able to afford the repayments on each loan. So he didn't think MYJAR had been wrong to give these loans to Mr B.

Mr B didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

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

MYJAR has told us about the checks it did before lending to Mr B. Each time it asked him for details of his income, his housing costs, other monthly expenditure and any credit repayments that he was making. And it then supplemented this information with standard industry data about normal minimum living costs for people in similar circumstances to Mr B. MYJAR also checked Mr B's credit file. From the information I have seen I don't think the results of those checks should have caused any additional concerns to the lender.

Both of Mr B's loans were repayable in six monthly instalments. So the amount he needed to repay each month was smaller than if he'd taken a normal payday loan. But of course he was committing to making those repayments over a longer period.

Both the loans that Mr B took were much smaller than the income he'd declared to MYJAR. And the repayments he needed to make each month appeared to be easily affordable compared with the disposable income MYJAR had calculated from the information Mr B had provided. I have considered that Mr B took his second loan on the same day that he repaid his first loan early. I think this behaviour should have caused some concerns to MYJAR. But on balance I don't think those concerns would have been great enough to make me think MYJAR should have done some additional checks.

I think that the checks MYJAR did before each loan were proportionate. And those checks suggested that Mr B would be able to afford to repay the loans. So I don't think MYJAR was wrong to give either loan to Mr B.

I appreciate that this decision will be disappointing for Mr B. He says that his financial situation was actually much worse than he declared – he says that he was gambling heavily at the time and that someone with this sort of addiction would do anything to keep it going. But Mr B didn't tell MYJAR about his gambling problems. And I don't think it was something that proportionate checks would have discovered either. So I think it was entirely reasonable here for MYJAR to rely on the information Mr B provided about his finances. And that suggested the loans were affordable for him.

my final decision

For the reasons given above, I don't uphold the complaint or make any award against MYJAR Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 11 June 2018.

Paul Reilly
ombudsman