

complaint

Mr M complains that Active Securities Limited (trading as 247 Money Box) was irresponsible to continue to lend him money when he had insufficient disposable income and was using one loan to repay another.

background

Mr M had 40 loans from 247 Money Box between March 2013 and January 2017 as follows:

Loan	Date	Amount	Repaid
1	19 Mar 2013	£80	23 Mar 2013
2	2 Apr 2013	£155	19 Jun 2013
3	24 Jun 2013	£200	4 Oct 2013
4	7 Oct 2013	£400	8 Nov 2013
5	8 Nov 2013	£300	31 Jan 2014
6	2 Feb 2014	£600	28 Mar 2014
7	28 Mar 2014	£600	25 Apr 2014
8	28 Apr 2014	£500	23 May 2014
9	27 May 2014	£500	20 Jun 2014
10	28 Jun 2014	£500	18 Jul 2014
11	21 Jul 2014	£600	15 Aug 2014
12	15 Aug 2014	£560	12 Sep 2014
13	13 Sep 2014	£560	3 Oct 2014
14	13 Oct 2014	£560	7 Nov 2014
15	10 Nov 2014	£580	5 Dec 2014
16	05 Dec 2014	£540	2 Jan 2015
17	05 Jan 2015	£600	30 Jan 2015
18	02 Feb 2015	£600	27 Feb 2015
19	07 Mar 2015	£600	27 Mar 2015
20	30 Mar 2015	£600	24 Apr 2015
21	25 Apr 2015	£600	22 May 2015
22	28 May 2015	£600	19 Jun 2015
23	20 Jun 2015	£600	17 Jul 2015
24	24 Jul 2015	£600	13 Aug 2015
25	11 Aug 2015	£700	11 Sep 2015
26	11 Sep 2015	£700	16 Sep 2015
27	29 Oct 2015	£500	4 Dec 2015
28	12 Dec 2015	£700	30 Dec 2015
29	07 Jan 2016	£800	29 Jan 2016
30	01 Feb 2016	£800	26 Feb 2016
31	29 Feb 2016	£800	24 Mar 2016
32	24 Mar 2016	£800	26 Apr 2016
33	27 Apr 2016	£800	19 May 2016
34	20 May 2016	£800	17 Jun 2016
35	21 Jun 2016	£800	14 Jul 2016
36	17 Jul 2016	£800	11 Aug 2016
37	21 Aug 2016	£800	14 Sep 2016
38	24 Oct 2016	£800	15 Nov 2016
39	18 Nov 2016	£800	15 Dec 2016
40	31 Jan 2017	£500	15 Mar 2017

Mr M's representative says he had little disposable income each month and was using multiple short-term lenders as well as borrowing from family members. It says Mr M was in a cycle of borrowing and using one lender to repay another. It adds that if 247 Money Box had done better checks it would have seen this, and Mr M's defaulted accounts, and realised the loans were unaffordable.

247 Money Box says it verified Mr M's income periodically and asked him for expenditure details, including his commitments to other short-term lenders. It also checked Mr M's credit file on more than one occasion. It says that based on the information it had, all the loans were well within Mr M's means to repay and it had seen nothing that indicated the loans were unaffordable.

Our adjudicator recommended the complaint should be upheld. She was satisfied that 247 Money Box had done enough checks for Mr M's first four loans, but considered it should have carried out a full financial review from loan five onwards. She said that had it done so, 247 Money Box would have found Mr M's regular expenditure exceeded his income, he had additional short-term loans and was spending significant amounts of money on gambling. Therefore she recommended 247 Money Box should refund interest and charges on loans five to forty (+ 8% statutory interest) and remove any associated negative information from his credit file.

247 Money Box did not respond.

my findings

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

247 Money Box was required to lend responsibly. It should have made checks to make sure Mr M could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr M was borrowing, and his lending history. But there was no set list of checks 247 Money Box had to do.

Loans 1 and 2

I haven't seen any evidence of the checks carried out by 247 Money Box for Mr M's first two loans, but I consider it should have asked him for information about his income as a minimum. That said, I can see from Mr M's bank statements that he was earning about £2,000 per month at the time, so I'm satisfied that if 247 Money Box had this information, it would still have found the loans to be affordable. I say that because the maximum scheduled repayment on either loan was a little over £200, so I can't conclude 247 Money Box was wrong to approve these loans.

Loan 3

When Mr M applied for his third loan in quick succession, which was for a higher amount, I consider proportionate checks should have included asking Mr M for his income and regular expenditure. I can see that 247 Money Box did that and found Mr M had a disposable income of over £1,000. So I'm satisfied that 247 Money Box would have found the £270 scheduled repayment affordable.

Loan 4

Loan 4 was for double the amount of loan 3 and, again, came soon after the previous loan had been repaid. I think this could have indicated that Mr M was developing a reliance on the loans, so I consider a proportionate check should have included asking him about short-term loans with other companies. But 247 Money Box says it did this from loan 3 onwards and Mr M did not declare any additional borrowing of this nature. At this stage, I am satisfied 247 Money Box was entitled to rely on such information, so, even though the repayment was over £550, it would have found this loan to be affordable based on its calculation of his disposable income.

Loans 5 to 40

However, by the time Mr M applied for his fifth loan in quick succession, I consider 247 Money Box should have been carrying out a full review of Mr M's finances and verifying the information he'd provided. Had it done so for this loan and all subsequent loans, it would have found Mr M's regular expenditure exceeded his income, he owed significant amounts of money to other short-term loan companies and he was regularly gambling well over £1,000 per month. I have reviewed Mr M's circumstances between November 2013 and January 2017 and I can't conclude 247 Money Box would have approved any of the loans had it carried out proportionate checks.

my final decision

My decision is that I uphold this complaint. Active Securities Limited (trading as 247 Money Box) should:

- Refund all interest and charges that Mr M paid on loans 5 to 40 inclusive;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- Remove any negative information about the above loans from Mr M's credit file.

*HM Revenue & Customs requires 247 Money Box to take off tax from this interest. 247 Money Box must give Mr M a certificate showing how much tax it's taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 December 2017.

Amanda Williams
ombudsman