

complaint

Mr W complains that Active Securities Limited (trading as 247 Moneybox) lent him money that he couldn't afford to repay.

background

247 Moneybox gave Mr W five loans between May 2016 and January 2017.

Loan Number	Borrowing Date	Loan Amount	Repayment Amount
1	13/05/2016	£80	£107
2	11/08/2016	£150	£164
3	1/09/2016	£150	£187
4	29/12/2016	£225	£263
5	24/01/2017	£307	N/A as not been repaid

The adjudicator recommended that Mr W's complaint be upheld part. He thought it was reasonable of 247 Moneybox to agree loans one to three but not four and five. He asked it to refund any interest and charges paid on these two loans and remove any negative information about the loans from Mr W's credit file.

247 Moneybox hasn't replied to the adjudicator's recommendation so the complaint has come to me for a final decision.

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.

247 Moneybox was required to lend responsibly. It needed to make checks to see whether Mr W could afford to pay back each loan in a sustainable way before it lent to him. Those checks needed to be proportionate to things such as the amount Mr W was borrowing, and his lending history. But there was no set list of checks 247 Moneybox had to do.

Even if I decide the checks didn't go far enough, this won't necessarily mean I will uphold this complaint. I'd also need to be persuaded that what I consider to be proportionate checks would have shown 247 Moneybox that Mr W couldn't sustainably afford to repay the loans – that is without undue difficulty and without having to borrow further.

loans one to three

247 Moneybox has given us evidence that it asked Mr W about his living costs and regular credit commitments. Given the relatively modest proportion of Mr W's monthly income the repayments on loans one to three represented, I think 247 Moneybox's checks went far enough.

Based on the figures that Mr W gave to 247 Moneybox the three loans appeared affordable. So I can't find it was unreasonable of 247 Moneybox to agree them.

loan four

By loan four, Mr W had been borrowing regularly and asked to borrow almost three times the amount of his first loan. I think this pattern of borrowing should've raised some concerns that Mr W might've become dependent on short term lending.

Although 247 Moneybox asked for details of Mr W's income and outgoings, I think it should've also asked whether he had any other short term loans. As I don't have any evidence that it did this, I don't consider 247 Moneybox's checks went far enough.

Mr W already owed almost £800 to other short term lenders. After taking account of his living costs and regular credit commitments, Mr W was left with a negative disposable income. If 247 Moneybox had realised this, I don't think it would've agreed to lend.

loan five

Mr W asked to borrow again less than a week after repaying loan four. I think this should've prompted 247 Moneybox to carry out the fullest checks possible to make sure that Mr W could sustainably afford the repayment. And it should've tried to independently verify the financial information that he gave.

247 Moneybox could've done this in a variety of ways such as asking to see payslips, bills or bank statements. As Mr W has given us bank statements, I've used these to consider what better checks would've revealed.

Mr W had other short term credit commitments and he was gambling heavily. If 247 Moneybox had discovered this, as a responsible lender, I wouldn't have expected it to agree loan five.

Overall, with better checks I consider 247 Moneybox would've realised that Mr W couldn't afford loans four and five. As I don't think it should've agreed these loans, Mr W has lost out. 247 Moneybox should pay him compensation.

It looks as though Mr W might still owe money on loan five. If this is the case and as he's had the benefit of the money lent, it's fair to allow 247 Moneybox to apply the refund against any outstanding principal if it chooses.

putting things right

To put things right, 247 Moneybox should:

- Refund any interest and charges applied to loans four and five;
- Add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement*;
- Write off any unpaid interest and charges on loan five;
- If it chooses to, apply the refund to any outstanding principal balance before paying any remaining balance (if there is any) to Mr W**; and

- Remove any negative information recorded about loans four and five from Mr W's credit file

*HM Revenue & Customs requires 247 Moneybox to take off tax from this interest. It must give Mr W a certificate showing how much tax it's taken off if he asks for one. If 247 Moneybox intends to apply the refund against the principal balance outstanding, it must do so after taking off the tax.

**If after carrying out these steps there's still a principal balance due, I would expect 247 Moneybox to treat any repayment offer that Mr W may make, sympathetically and reasonably.

my final decision

My final decision is that I uphold this complaint in part. Active Securities Limited (trading as 247 Moneybox) must put things right as detailed in the above bullet points.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 29 July 2018.

Gemma Bowen
ombudsman