

## complaint

Mr H complains that DJS (UK) Limited (trading as Piggybank) was irresponsible to lend to him. He wants Piggybank to refund remove the negative entries from his credit file, pay him compensation and write off the outstanding debt.

## background

Mr H took out four loans with Piggybank between October 2016 and August 2017. Loans one and two were repayable in one payment. Loans three and four were repayable over a number of monthly instalments. Mr H repaid loans one to three but a balance remains on loan four. A summary of Mr H's borrowing is as follows:

Loan Number	Borrowing Date	Repayment Date	Loan Amount	Monthly Repayments
1	06/10/2016	02/11/2016	£325	1 @ £395
2	04/11/2016	27/02/2017	£360	1 @ £435
3	29/07/2017	30/08/2017	£195	1 @ £255
4	31/08/2017	N/A	£700	4 @ £291

Piggybank didn't agree that it was irresponsible to lend. It said Mr H declared his monthly net income to be £1,910. Piggybank recorded monthly outgoings of £1,050. Piggybank also carried out credit checks and included any undeclared credit commitments as part of its affordability assessment.

The adjudicator didn't recommend that Mr H's complaint be upheld. He thought Piggybank's checks went far enough before agreeing loans one and two. The adjudicator thought that Piggybank should've asked some more questions before agreeing loans three and four.

Based on the information Mr H gave Piggybank and the checks it carried out, the adjudicator thought it was reasonable to agree loans one and two. The adjudicator thought that even with better checks, loans three and four would've still appeared affordable for Mr H.

Mr H disagrees with the adjudicator's recommendation. He says he was dealing with mental health issues and a gambling addiction. Mr H thinks that Piggybank should've realised that he was struggling financially after he wasn't able to repay loan two on time and then didn't keep up with his repayment plan.

Mr H says he was regularly using a revolving credit provider. Mr H says that if Piggybank had carried out proper checks before agreeing loan four, it would've seen that he'd been made redundant.

## 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 agree with the adjudicator's recommendation.

Piggybank was required to lend responsibly. It needed to make sure Mr H could afford the loan repayments. There wasn't a set list of checks that Piggybank had to carry out. But the

checks needed to be proportionate to things such as the amount of each repayment, the length of the agreement and any borrowing history.

Piggybank has told us about the checks it did before giving Mr H each of the loans. It asked him to provide details of his income and monthly outgoings, including any credit commitments. Piggybank checked Mr H's credit file to see what other loans were outstanding. It then factored in any undeclared credit commitments into Mr H's estimate of expenditure.

#### *loans one and two*

As Mr H was expected to repay the equivalent of around 20% of his declared net income each time, I consider a proportionate check should've included Piggybank asking about his living costs and regular credit commitments. Piggybank has given us evidence that it asked for this information.

From what Mr H told Piggybank and what it saw on the credit searches, it looked as though Mr H had a monthly disposable income of £860.

The credit check did show that Mr H had faced some limited problems in the past managing his debts. But, on balance, I don't think these were sufficient for me to expect the lender to have undertaken additional checks, or to have refused to lend to him. And I'm satisfied that Piggybank included the undeclared credit commitments as part of its affordability assessment.

Based on what Piggybank knew about Mr H it looked like Mr H afford to repay loans one and two so I can't find it was wrong to agree them.

#### *loans three and four*

The adjudicator thought that Piggybank should've done some additional checks before agreeing loans three and four. This was on the basis that even though five months had passed between repaying loan two and applying for loan three, Mr H had struggled to repay loan two.

By the time Mr H asked for loan three, Piggybank's credit search didn't show any other outstanding short term loans. Mr H appeared to be up to date with his other two relatively small credit commitments

Almost six months had passed since Mr H had repaid loan two. I think it was reasonable of Piggybank to assume that Mr H's financial situation had improved in in this time. I'm not persuaded that Piggybank needed to ask about Mr H about his other short term loans before agreeing loan three. However, even if Piggybank had asked about them, I don't think it would've made a difference. This is because Mr H was only due to repay one monthly instalment of £192 to a different short term lender.

Mr H took out loan four immediately on repaying loan three and it was repayable over four months. I agree that it was reasonable to expect Piggybank to ask about Mr H's other short term lending commitments to make sure he could afford to keep up with his repayments in a sustainable way.

As Mr H doesn't appear to have had any other outstanding payday loans at the time of asking for loan four, I can't say that with better checks, Piggybank would've said no to his application.

I appreciate that Mr H's situation was much worse than he told Piggybank. This seems to be largely due to a significant gambling addiction.

I don't want to downplay Mr H's problems in any way, particularly as I can see that he was often spending hundreds of pounds online gambling each day. But I don't think Piggybank needed to go as far as trying to independently verify Mr H's financial information by asking to see bank statements for example. So unless Mr H had disclosed his gambling problem, I can't say that Piggybank would've found out about it with the proportionate checks I think were reasonable.

Overall, I don't consider that Piggybank did anything wrong in giving any of the loans to Mr H based on what it knew or should've known about him. It follows that I don't uphold this complaint.

I understand that Mr H still owes money on his final loan. I'd encourage him to get in touch with Piggybank to discuss how it might be repaid. And I'd remind Piggybank of the need to continue to treat Mr H positively and sympathetically in those discussions.

Mr H has asked whether the level of his debt is in line with the interest rate cap. I assume that Mr H is referring to the total cost cap that appears in the regulations set down by the Financial Conduct Authority (FCA). In summary, the regulations say that a firm must not enter into an agreement for high-cost short-term credit that *"provides for the payment by the borrower of one or more charges that, alone or in combination with any other charge under the agreement or a connected agreement, exceed or are capable of exceeding the amount of credit provided under the agreement"*.

Mr H says that Piggybank has told him that he owes £1,200 after making two payments of £100 each. As far as I can see this means that the interest and charges equal rather than exceed the £700 Mr H borrowed. So I can't say that Piggybank has breached the FCA regulations as things stand.

### **my final decision**

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 9 February 2019.

Gemma Bowen  
**ombudsman**