

complaint

Mr M complains that Amigo Loans Ltd shouldn't have granted him a loan as it was unaffordable. He's also unhappy about the amount he's been repaying on the loan and the amount of interest.

background

Mr M took out a guarantor loan for £5000 with Amigo in 2013 the APR was 49.9%. But he says that Amigo were irresponsible to lend him the money as he was struggling with a gambling addiction at the time and he doesn't believe they performed their "due diligence" correctly.

But Amigo didn't agree. They explained that they had:

- checked Mr M's salary and ensured this was what was being paid into his bank accounts
- established with Mr M that he didn't expect any change in his income over the next 5 years
- reviewed his incomings and outgoings and established he would have a disposable income of over £500 after the loan was accounted for
- performed credit checks to establish the extent of other lending
- been unaware of his gambling addiction

Having carried out these checks Amigo said they were satisfied that Mr M had reported his financial position correctly and that he could demonstrate the loan was affordable.

Mr M referred his complaint to this service but our adjudicator was content that the Amigo had performed the checks he would have expected to ensure the payments were affordable and that their efforts had been proportionate to the amount borrowed. He didn't think Amigo had done anything wrong.

But Mr M disagreed. He accepted that the loan had been fairly offered but said he'd now paid over £9000 towards a £5000 loan and still hadn't reduced the balance. He didn't think this was fair and he asked for this review.

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 know it will disappoint Mr M but I agree with the adjudicator's findings on this complaint and for the same reasons.

was the lending irresponsible?

For me to decide that Amigo had lent irresponsibly I would have to be satisfied that they'd lent money to Mr M at a time when he was unable to keep up with the expected payments without having to compromise on other essential outgoings such as bills, rent and food.

I can see that Amigo asked Mr M about his expenditure and Mr M confirmed that he'd have a surplus of over £500 per month after the loan had been taken out. He told them that he was

earning over £1800 a month and Amigo checked his bank statements to confirm his income. They also checked his credit files for other borrowing but these checks didn't raise any further issues. They looked ahead and asked Mr M if he expected any reduction in income going forward but he confirmed he didn't. It would be unreasonable of me to suggest they'd been irresponsible given the range of actions they took to ensure the loan was repayable and I therefore don't think they need to take any further action.

is the amount Mr M is repaying excessive?

Looking at the interest rate charged I can understand Mr M's exasperation at not being able to pay the loan off and his frustration at paying so much in interest but for the following reasons I don't think Amigo have done anything wrong:

I think clear information was provided about the terms of the agreement and Mr M would've known how much was being borrowed and how much he'd have to pay back. The credit agreement he signed said:

"Total amount payable £11,857.48 which consists of: (a) amount of credit £5,000.00 (d) total interest of £6,857.48."

Amigo has checked the interest charged and has confirmed that it's been charged correctly. I can see that there have been times when late payments have been made and, as the balance will therefore have been higher for longer, the amount of interest charged will have been more. I don't think there's anything wrong with the way interest has accrued on the account.

I think the interest rate reflected Amigo's perception of the risk involved in lending Mr M the money. That is an exercise of its legitimate commercial judgment and not something I can reasonably interfere in. I'd expect a loan that required a guarantor to be one that carried a higher degree of risk to the lender and, having clearly explained the requirements to Mr M, I don't think Amigo mislead him and he didn't have to accept their offer.

my final decision

For the reasons given above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 24 August 2017.

Phil McMahon
ombudsman