

complaint

Mr A complains that Uncle Buck Finance LLP gave him unaffordable payday loans. He wants a refund of the interest and charges he paid with interest.

background

Mr A took out 10 loans with Uncle Buck between 2013 and 2015. All the loans were repaid but all but one of the loans were "rolled over". The loans were small. Uncle Buck said it confirmed Mr A's income for the first loan. It carried out credit checks. It said these checks were proportionate. But Mr A said he was trapped in a spiral of debt and the lending was irresponsible.

Our adjudicator recommended that the complaint should be upheld in part. She thought Uncle Buck was entitled to decide its lending criteria and how much risk to take. But she thought it should have been alerted to some changes in Mr A's information and borrowing. His outgoings reduced and his income dropped. His borrowing increased and there were continuous rollovers.

The adjudicator thought Uncle Buck should have carried out more rigorous checks on Mr A's ability to repay his loans after the fifth loan. It would then have become aware of Mr A's gambling. She thought it should repay the interest and charges he paid after this loan, with interest, and remove the relevant adverse data from his credit report.

Uncle Buck agreed to do this. But Mr A replied that he shouldn't have been granted any loans. He said the first one was granted without sight of his bank statement. This would have shown his debts and commitments and prevented a loan being made.

my findings

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

Mr A has told us that he was in a poor financial state when he took out the loans from Uncle Buck. Mr A said that it shouldn't have made any loans to him.

But I think that when Mr A first took out a loan from Uncle Buck, it assessed its affordability in proportion to the size of the loan. It carried out a credit check through a credit reference agency. This confirmed Mr A's salary. It tried to make a work check, but couldn't.

So Uncle Buck asked Mr A for a copy of his two latest bank statements. But it said Mr A supplied instead screen shots of his bank account showing his monthly salary. He also told it he had other income.

Uncle Buck relied upon the information Mr A supplied. I think this was reasonable. I can appreciate that Mr A's situation was difficult and he wanted to cover his existing debts. But Uncle Buck wasn't to know this. Mr A had redacted information about his other loans from the screen shots of his account he provided. He didn't tell Uncle Buck about his financial difficulties. I think he wasn't accurate about his expenditure. But I can't hold Uncle Buck responsible for this.

So I don't think Uncle Buck did anything wrong in checking the affordability of the first loan to Mr A. This was repaid after two rollovers. Mr A then took out three further sequential loans, each rolled over once before repayment. But the fifth loan was larger and Mr A repaid it in three instalments.

Mr A then told Uncle Buck that his outgoings had changed. He said he was no longer paying rent and so reduced his expenditure. But he said he no longer had a second income. The adjudicator thought that at this stage Uncle Buck should have made further checks on the affordability of further loans.

I agree. I can't see that there were any triggers before this to alert Uncle Buck that the information provided by Mr A wasn't entirely accurate. He'd repaid his loans, albeit after rollovers. But I think that after five consecutive loans and the changes in habit and information Uncle Buck should reasonably have made further enquiries about affordability.

So I think Uncle Buck should refund the interest and charges made for the last five loans with interest. I think it should also remove adverse data about these five loans from Mr A's credit record.

my final decision

My final decision is that I uphold this complaint in part. I require Uncle Buck Finance LLP to do the following, as it has agreed:

1. Refund all interest and charges for the last five loans made to Mr A, adding interest to this amount at the simple rate of 8% from the date of payment to the date of settlement.
2. Remove all negative data reported to the credit reference agencies for these five loans.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 2 September 2016.

Phillip Berechree
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