

## **complaint**

Miss E complains that Uncle Buck Finance LLP gave her loans that she couldn't afford to repay. She asks that it refunds interest and charges and removes information about the loans from her credit file.

## **background**

Miss E took out seven loans with Uncle Buck between August 2014 and October 2017. She says the loans weren't affordable and led to her having debt and gambling problems.

Our adjudicator didn't recommend that the complaint should be upheld. She said Uncle Buck had offered to refund interest and charges on the fourth and fifth loans before the complaint came to us. So she wouldn't look into those loans.

Our adjudicator said the information Uncle Buck received suggested loans 1 and 2 were affordable. While it should have made more checks before loan 3, it was unlikely proportionate checks would have shown the loan wasn't affordable. As there was a break of over two years between Miss E repaying loan 5 and taking out loan 6, it was reasonable for Uncle Buck to think she wasn't reliant on the loans.

Miss E said she now wants to accept Uncle Buck's offer. But since it issued its final response her unpaid loan balance has increased. And she says Uncle Buck (and the debt collection company now managing the debt) won't accept a part settlement. She asks that I require Uncle Buck to treat her fairly by accepting a settlement of half the debt owed.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints about short-term lending – including all of the relevant rules, guidance and good industry practice – on our website.

Uncle Buck needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss E could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and Miss E's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

Miss E took out the following loans with Uncle Buck:

Loan number	Date of loan	Amount of loan	Repayment due	Date repaid
1	04.08.14	£125	£168.69	20.08.14
2	28.08.14	£350	£472.33	19.09.14
3	26.09.14	£325	£438.59	20.11.14
4*	25.11.14	£434	£585.68	16.12.14
5*	30.12.14	£400	£539.80. This was rolled over into an instalment loan repayable in three monthly instalments of £192	20.04.15
6	07.08.17	£350	£465.81 repayable over 3 monthly instalments of £157	20.10.17
7	21.10.17	£600	£1,083.42 repayable over 5 monthly instalments of £219	Unpaid balance

\*Uncle Buck has offered to refund interest and charges, with 8% interest, on these loans.

#### *loans 1 to 3*

When she took out loans 1 to 3, Miss E told Uncle Buck her monthly income was £1,400 and her outgoings were between £250 and £650. I don't think Uncle Buck had any reason to think loans 1 and 2 weren't affordable.

Given the amount of the repayment, and that this was Miss E's third loan in just over a month, I think Uncle Buck might have done more thorough checks before agreeing loan 3. But I don't think, given the amount of the loan and Miss E's stated income, proportionate checks would have given it any reason to think the loan wasn't affordable or that further checks were needed. I don't think at this point Uncle Buck needed to ask for evidence – such as bank statements – that would have revealed problems, such as gambling or significant use of short term loans.

#### *loans 4 and 5*

Uncle Buck offered to refund interest and charges on loans 4 and 5, with 8% interest. I understand Miss E intends now to accept this offer. So I won't consider these loans here.

#### *loans 6 and 7*

Miss E took out loan 6 in August 2017, more than two years after she'd repaid loan 5. I think this was sufficient time for Uncle Buck to reasonably believe any problems she'd had – such as a reliance on short term loans – had been resolved. Miss E told Uncle Buck her monthly income was £1,450. The information she provided about her outgoings suggested the loan repayments were affordable. I don't think Uncle Buck had any reason to think loans 6 and 7 weren't affordable.

*what should happen now?*

In its final response letter, Uncle Buck offered to refund all interest and charges Miss E paid on loans 4 and 5, with interest of 8% simple a year. It explained that it will have to take off tax from this interest and that Miss E can ask for a certificate showing how much tax it's taken off. I think this is fair.

Miss E says she's recently contacted Uncle Buck about the refund. She says Uncle Buck has told her it intends to apply the refund to reduce the debt she owes. While this is a change from the offer made by Uncle Buck in its final response letter, Miss E says she doesn't have a problem with this. However, I'd remind Uncle Buck that it must treat Miss E fairly. I think it's helpful if I explain what I mean by this.

Uncle Buck sold the debt to a third party. Miss H is concerned about the third party taking legal action to recover the debt. I think it would be fair if Uncle Buck either buys the debt back before applying the redress or pays the refund directly to Miss H. If Uncle Buck does apply the refund to the outstanding debt, it should do so after deducting any tax.

Miss E says, since Uncle Buck issued its final response, the balance she owes (which relates to loan 7) has increased. This is because she missed a payment while the complaint was with this service. It's likely an outstanding balance will remain after the refund is applied to it. Miss E says she can no longer negotiate a settlement with Uncle Buck which, she says, would have been possible a year ago.

I'm sorry that it's taken as long as it has for Miss E's complaint to be investigated. But Miss E owes the debt and needed to make the agreed repayments, regardless of whether she decided to bring her complaint to this service. It's for Uncle Buck (or the third party that now owns the debt) to decide whether to accept Miss E's offer to settle the debt with a payment of part of the amount owed.

If Miss E is in financial difficulties I'd expect Uncle Buck to respond fairly – for instance by agreeing a repayment plan. I don't think, in the circumstances, it's reasonable for me to require Uncle Buck to settle the debt for less than the amount owed.

**my final decision**

My decision is that I do not uphold this complaint as I find that the redress offered by Uncle Buck Finance LLP is fair and reasonable in the circumstances. Uncle Buck should pay that compensation in full and directly to Miss E unless it repurchases the debt relating to the final loan from the third party it was sold to in 2018. Should it repurchase the debt I think it reasonable for Uncle Buck to use the redress it has offered to reduce that debt.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 1 September 2019.

Ruth Stevenson  
**ombudsman**