

complaint

Mr G has complained about loans he took out with Active Securities Limited, trading as 247 Moneybox. Mr G has said the loans were unaffordable and shouldn't have been offered to him.

background

Mr G took out two loans with 247 Moneybox, one in 2012 and one in 2013. I'll refer to these as Loan 1 and Loan 2 respectively.

Mr G feels that the loans were unaffordable and 247 Moneybox shouldn't have agreed them. 247 Moneybox disagreed and so the complaint was referred to our service. Our adjudicator considered the complaint and found that 247 Moneybox hadn't carried out proportionate checks for Loan 2. Had it done so, our adjudicator didn't think 247 Moneybox would have agreed that loan. So they recommended that Mr G's complaint should be partially upheld.

247 Moneybox didn't respond to the adjudicator's view, so the complaint has been passed to me.

my findings

I've considered all the available evidence and arguments when deciding 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.

For both loans 247 Moneybox provided, it was required to lend responsibly. It needed to make checks to see whether Mr G could afford to pay back each loan before it lent to him. There's no set list of what a lender should do to check affordability in every case. But checks should be proportionate to things like the size of the loan, the repayments, what the lender knows about the consumer and what the consumer tells the lender about their circumstances.

247 Moneybox has said it carried out credit checks for each loan. It also confirmed Mr G's income with his employer when he applied for each loan. When Mr G applied for Loan 2, it also asked him about his regular spending.

Mr G applied for Loan 1 (for £80) in March 2012. The scheduled repayment, including interest, was £100.19, due to be paid later the same month. 247 Moneybox's income check confirmed that Mr G's monthly net pay was around £1,500, meaning the scheduled repayment was a relatively small proportion of his take home pay. Set against this, however, was Mr G's credit report, which shows that he had defaulted on at least two accounts before applying for Loan 1.

I don't know exactly what the results of 247 Moneybox's credit check in 2012 showed. But I think it's most likely it would have seen the defaults on Mr G's record. And so I think proportionate checks for Loan 1 would have included asking Mr G about his monthly spending and regular financial commitments, to ensure he could meet the scheduled repayment.

Based on what I know about Mr G's circumstances at the time, as well as the figures he later gave 247 Moneybox when applying for his second loan, I think it's likely that had 247 Moneybox made proportionate checks in 2012, it would have seen Mr G's regular outgoings were around £1,000. This would have left him with about £500 disposable income, which would have covered the loan repayment. So I think 247 Moneybox would still have agreed Loan 1 – and I don't think it would have been irresponsible to do so.

Mr G was late repaying Loan 1, settling his account in May 2012. There was then a 14 month gap before he applied for Loan 2 in July 2013. Loan 2 was for the higher amount of £150, with a repayment of £225.08 due later the same month.

By this point, Mr G had defaulted on several more accounts, including overdrafts, credit cards and other short term loans. Taking this into account alongside his poor repayment history with 247 Moneybox, I don't think it was enough at this stage for 247 Moneybox to rely on the information Mr G provided. I think proportionate checks would have included verifying Mr G's income and expenditure, for example by looking at bank statements or requesting copies of bills and other paperwork.

Had 247 Moneybox made such checks, I think it would have seen that in the months leading up to Loan 2, Mr G was spending more than £1,000 a month on gambling transactions. His income wasn't sufficient to support this alongside his normal living costs and he had no capacity to make further loan repayments without getting into more debt. And as a responsible lender, I don't think 247 Moneybox would have agreed Loan 2.

In summary, I don't think 247 Moneybox carried out proportionate checks for either loan. Had it done so, I think it would have continued to offer Loan 1, but wouldn't have agreed Loan 2. So I think Mr G's complaint should be upheld in part.

putting things right

As I don't think 247 Moneybox should have given Mr G loan 2 in July 2013, Active Securities Limited should:

- refund all interest *and* charges he paid for Loan 2. To each of these sums that it repays, it must add 8% simple interest a year, from the date Mr G paid them to the date of settlement*; and
- remove any adverse entries relating to Loan 2 from Mr G's credit file.

*HM Revenue & Customs requires Active Securities Limited to take off tax from this interest. It must give Mr G a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons above I uphold Mr G's complaint in part and require Active Securities Limited to put things right as outlined.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 25 September 2017.

Cara Goodbody
ombudsman