

## **complaint**

Mr M complains that MYJAR Limited gave him a loan that was unaffordable.

## **background**

The background to this complaint was set out in a provisional decision I issued in January 2018. An extract from this is attached and forms part of this final decision, so I will not repeat that information here.

In my provisional decision I set out why I didn't think the complaint should be upheld. I invited both parties to let me have any further comments and evidence.

MYJAR told us that it had nothing further to add but Mr M didn't respond to our correspondence. In these circumstances, I'm now issuing my final decision.

## **my findings**

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

As neither party has provided me with any new evidence, I see no reason to depart from the conclusions I reached in my provisional decision. So I don't uphold Mr M's complaint.

## **my final decision**

For the reasons given in my provisional decision I don't uphold the complaint or make any award against MYJAR.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 6 April 2018.

Richard France  
**ombudsman**

## **EXTRACT FROM PROVISIONAL DECISION**

### **complaint**

Mr M complains that MYJAR Limited gave him a loan that was unaffordable.

### **background**

In 2016 Mr M borrowed £925 from MYJAR, repayable over 12 months at £141 per month. He feels that MYJAR were wrong to grant him this loan because it was unaffordable to him as he was dependent upon a number of other short term borrowings. He'd like MYJAR to refund all interest and charges that've been applied to the loan, together with interest, and for any adverse information relating to the loan to be removed from his credit file.

MYJAR says it undertook credit checks and credit scoring before agreeing to the loan. It also relied upon information that Mr M provided to it about his financial circumstances, including his monthly income of £1,900.

The loan was initially repaid on schedule until February 2017 when Mr M entered into a debt management plan. Since that time MYJAR has suspended any further interest from accruing on the loan, and has agreed to a reduced repayment schedule with Mr M to repay the principal loan that remains outstanding.

Our adjudicator felt that MYJAR was wrong to provide this loan to Mr M. He didn't think that the checks it did went far enough and, if it'd done better checks on Mr M's expenditure it would've seen that the required loan repayments weren't sustainable. He proposed that MYJAR should refund all charges and interest and remove negative information from Mr M's credit file. Mr M would remain liable to repay the outstanding balance to MYJAR in line with the existing agreement.

MYJAR doesn't agree with our adjudicator's findings and so the complaint has been passed on to me for a decision.

### **my provisional findings**

I've considered all the available evidence and arguments to decide 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.

MYJAR was required to lend responsibly. It needed to make checks to see whether Mr M could afford to pay back the loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr M was borrowing and his lending history, but there was no set list of checks that MYJAR had to do.

When he applied to MYJAR for the loan, Mr M stated that his monthly income was £1,900. He also supplied details of some of his monthly expenditure, including housing costs, payments to other creditors and other expenses, totalling £450.

The repayments that Mr M had to make on the loan were relatively modest compared to the income he declared to MYJAR. And those repayments were comfortably covered by the level of disposable income that he told MYJAR he had. This was Mr M's first loan with MYJAR and I think, at this stage of its relationship with him, that it was reasonable for it to rely upon the information that he'd provided about his financial situation. In these circumstances I wouldn't have expected MYJAR to do any checks beyond establishing Mr M's income.

MYJAR did verify Mr M's income, but it also asked for some information on certain areas of his expenditure. Our adjudicator felt that its questioning in that regard didn't go far enough and that, if it had, then it may have seen that the loan wasn't affordable. I can see from the information that Mr M has provided to us that his actual expenses for housing and regular financial commitments were considerably higher than those that he'd declared to MYJAR.

However, I note that MYJAR did carry out additional checks, including credit checks and credit scoring. It also made an adjustment to Mr M's expenses by deducting an assumed allowance for other expenditure (which was calculated in line with minimum income standards data). It then made a further arbitrary deduction to cover for any other costs that might not have been considered. After this assessment it was satisfied that the loan was affordable. As such, I'm content that it didn't rely solely upon the under-stated expenses information in assessing affordability of the loan.

I acknowledge that Mr M's financial situation was actually much worse than he declared to MYJAR. He was borrowing from a number of other short term lenders and was gambling extensively. But this wasn't information that he'd shared with MYJAR. And I don't think it was information that would've been revealed by what I'd consider to be proportionate checks on this loan. So I don't think it'd be reasonable to expect MYJAR to have considered this in its assessment of the affordability of this loan.

Fundamentally I think that the checks MYJAR did were proportionate and sufficient in these circumstances and, whilst it did obtain only partial information on Mr M's expenditure, I haven't seen anything in that, or resulting from the further checks it undertook, that would lead me to conclude that MYJAR was wrong to provide this loan.