

complaint

Miss L complains that Emergency Cash Limited (trading as wizzcash) gave her loans that she couldn't afford to repay. She asks that it refunds interest and charges.

background

Miss L took out an instalment loan with wizzcash in January 2017. The loan was repayable in three monthly instalments of about £248. Miss L says she had a gambling problem and existing debts that made the loan unaffordable.

The adjudicator recommended that the complaint should be upheld. wizzcash asked about Miss L's income and expenditure and did a credit check. The adjudicator said the information it received suggested Miss L would have about £38 left after meeting her monthly expenditure and the loan repayments. Miss L wouldn't have enough money left in case of an emergency. The adjudicator said the fact that Miss L paid the loan early didn't mean she had additional funds. It was more likely she'd taken out another loan.

wizzcash didn't agree. It said it complied with regulations when assessing whether the repayments were affordable and sustainable. It said there's no requirement that an amount or percentage of income should be left after meeting the repayments.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Miss L took out an instalment loan, of £560, in January 2017. Miss L told wizzcash her monthly income was £2,460 and provided a copy of a bank statement to support this. The bank statement she provided showed her income for November and December 2016 and no other transactions. Miss L said her monthly expenditure was £1,908, including £100 for credit commitments.

wizzcash did a credit search. It says the results didn't show any arrears, defaults or other adverse entries and Miss L's credit score was above average. The results suggested the monthly cost of Miss L's credit commitments was higher than she'd reported. wizzcash added £265 to her expenditure for this.

Based on the information it received, after meeting her monthly expenditure and the loan repayments of £248, Miss L would have had about £38 left. This didn't give her any flexibility to meet any additional or unexpected expenses. And, if Miss L had under reported her expenditure, even by a small amount, it's likely she'd have difficulty meeting the loan repayments, especially as she had to make the repayments over three months. wizzcash knew Miss L had under reported the cost of her credit commitments. I think it should have considered whether she might have under reported her other expenditure.

I don't think, in the circumstances, it was reasonable for wizzcash to assess the loan repayments as affordable. I think it should have either declined the loan application or asked Miss L for more detailed information about her expenditure and evidence to support what she said (such as complete bank statements). Had it done so, I think wizzcash would have seen that the number of gambling transactions on her statements suggests a gambling problem. It would have also seen that Miss L had taken out loans from other short term lenders during January 2017. I don't think it would have offered her the loan.

I don't think wizzcash should have agreed to lend to Miss L. So it should:

- Refund all interest and charges that Miss L paid on the loan;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- Remove any negative information about the loan from Miss L's credit file.

*HM Revenue & Customs requires wizzcash to take off tax from this interest. It must give Miss L a certificate showing how much tax it's taken off if she asks for one.

my final decision

My decision is that I uphold this complaint. I order Emergency Cash Limited to amend Miss L's credit file and pay the compensation as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 8 December 2017.

Ruth Stevenson
ombudsman