

complaint

Mr S complains that Emergency Cash Limited (trading as wizzcash.com) (the business) was irresponsible in its lending to him.

background

Mr S took out eight loans with the business between August 2015 and March 2017. He says that new loans were provided as soon as previous loans were settled and that while he was borrowing from the business he was also getting loans from other short term lenders. Mr S says that the business should have realised that he had debt problems from the pattern of his borrowing and should not have continued to lend to him.

Mr S says that the business did not carry out the checks it should have done before providing the loans as if it had it would have seen the other loans and credit commitments on his credit file.

The business says that Mr S applied for a number of loans and was approved for eight and that all of these loans were repaid early. Before each loan to Mr S it says it verified his income and expenses and where necessary an additional amount was added to Mr S' expenses if the checks suggested the amount declared was too low. Based on the information it received and verified it says Mr S had a monthly disposable income sufficient to cover the repayments. The business also says that it analysed Mr S' credit score on the day of the applications and this was excellent. It says there was no evidence of defaults, bankruptcies or arrears on his credit reports.

Our adjudicator initially said that the checks the business carried out before all eight loans were provided were sufficient. However, following further investigation he said that although the checks carried out before loans one to four were provided were reasonable he did not think that the checks before the subsequent loans went far enough. He said that given the frequency of Mr S' borrowing the business should have carried out a full review of Mr S' finances and that had this happened the business would have realised that Mr S' outgoings were exceeding his income. Because of this he recommended that the business refund all interest and charges that Mr S paid on loans five to eight.

The business did not agree with our adjudicator's view. It said that it carried out a number of checks to ensure the information provided by Mr S was correct. It said that Mr S should not be rewarded for providing incorrect information.

The business said that it carried out the checks required of it and it was not required to ask for Mr S' bank statements.

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 S took out eight loans with the business between August 2015 and March 2017. Before agreeing to lend to Mr S, the business had to make sure each time that he could afford to repay the loans. Affordability checks should be proportionate. What is proportionate depends on things like – but not limited to – the size of the loan, the repayments, what the business knew about Mr S, and the things he told it about his circumstances.

Loan	Amount	Date provided	Date repaid
1	£300	August 2015	September 2015
2	£400	November 2015	December 2015
3	£200	April 2016	May 2016
4	£200	May 2016	June 2016
5	£375	July 2016	July 2016
6	£300	August 2016	September 2016
7	£300	January 2017	February 2017
8	£225	March 2017	March 2017

Mr S' first loan was taken out in August 2015 and was for £300. Before providing the loan the business asked Mr S about his income and expenses and carried out verification checks on the amounts provided. At that time Mr S' income was recorded as £2,280 and his expenses as £1,350. Repayment was due over three months with repayment amounts of around £155 per month. A credit check was also carried out which the business says raised no concerns. Given this was Mr S' first loan and the repayments were reasonably small compared to his income I think that the checks carried out before the loan was provided were sufficient.

The first loan was repaid early and the second loan was then taken out a couple of months later. This was for £400. Again checks were carried out on Mr S' income and expenses and based on these the monthly repayments appeared affordable. Given Mr S had repaid his first loan early and his disposable income was sufficient to cover the repayments I think the checks carried out by the business before this loan was provided were reasonable.

The second loan was repaid early and the third loan was taken out a few months later. While there was a pattern of borrowing beginning to emerge, I still find that the checks carried out before this loan was provided were sufficient. The loan was for a smaller amount than the previous two loans and there was a short break between the repayment of the second loan and this loan being provided. Therefore I think that the checks on Mr S' income and expenses and the credit check were reasonable. As these did not raise any concerns about affordability I find that the business did do sufficient checks before this loan was provided.

The fourth loan was for £200 and was taken out a few days after the third loan was repaid. As Mr S had borrowed on four occasions in a short period of time I think this could have started to raise concerns. However, given Mr S had been repaying his loans early and there were gaps between the previous loans I think it was still reasonable that the business relied on the information it gathered and verified in regard to Mr S' income and expenses as well as the credit check.

The fifth loan was taken in July 2016, less than a month after the fourth loan had been repaid. As this was the fifth loan in the lending chain and was taken out relatively quickly after repayment of the previous loan, I think that the business should have, at this stage, been concerned that Mr S was possibly dependent on short term borrowing.

While I can see that the business did carry out checks on Mr S' income and expenses and used verification services to ensure the amounts included were reasonable (and where necessary increased the expenses amount) I think that by the fifth loan a full review of Mr S' financial circumstances should have been carried out. I say this because a pattern of borrowing had emerged and given Mr S had now borrowed on five occasions I think further checks should have taken place. I accept that the business is not required to ask for bank

statements but I think that more should have been done to ensure that Mr S was able to afford the loans.

Because I find that a further review of Mr S' financial circumstances should have taken place before loan five and the subsequent loans were provided, I have considered what information the business would have seen had this happened.

In order to fully assess Mr S' financial situation at the time of loans five to eight I have looked at his banks statements. These show that at the time of the loans, Mr S' income was considerably higher than the business had recorded. However, his outgoings were also much higher than recorded. Mr S was making frequent use of multiple payday loans and was also spending money on gambling sites. When loan five was taken out Mr S had over £2,000 or repayments due on other payday loans and was spending large amounts on gambling.

Had the business carried out a full review of Mr S' financial circumstances before loan five and subsequent loans were provided it would have realised that Mr S' outgoings exceeded his income and that he was reliant on short term lending. This combined with his gambling meant he did not have income available to make the loan repayments.

Because I find loans five to eight were not sustainably affordable for Mr S I find that the business should refund the interest and charges on these loans and remove any adverse information relating to these loans from his credit file.

my final decision

My final decision is that I uphold this complaint in part. Emergency Cash Limited (trading as Wizzcash) should:

- refund all interest and charges that Mr S paid on loan five onwards;
- 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 loans from Mr S's credit file.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 April 2018.

Jane Archer
ombudsman