

## **complaint**

Mr M complains that DJS (UK) Limited (trading as Piggybank) gave him unaffordable payday loans and he's unhappy with the offer it made in settlement of his complaint. He wants a refund of all the interest and charges he paid.

## **background**

Mr M had seven loans from Piggybank between November 2014 and March 2015. He said he was in a desperate financial situation and borrowing increasing amounts each month that made his position worse.

Piggybank made Mr M an offer for loans six and seven. It said a check on his credit file would have shown historic markers that should have been further investigated with him. It offered to remove the interest and charges for these two loans, and deduct that paid from the principal balance owed. It also offered to remove the loans from Mr M's credit file. But Mr M wasn't happy with this.

Our adjudicator recommended that the complaint should be upheld in part. She thought Piggybank's offer for loans six and seven was fair and reasonable as it's what we'd require if the loans were found to be unaffordable.

The adjudicator thought Piggybank's affordability checks went far enough for loans one and two, but not thereafter. But she couldn't say what better checks would have shown as Mr M hadn't provided all his bank statements from the time of the loans. So she couldn't say that Piggybank had been wrong to provide loans one to five.

Mr M replied providing further bank statements to cover the period for loans three to five.

## **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 M's first loan was for £150 (£180.17 with interest). He repaid this and then borrowed £250 (£302.21). Two weeks after repaying this, loan three was for £300 (£345.60). Then loan four was for £350 (£417.20) and loan five for £450 (£540). Loan six was for £750 (to be repaid in three monthly instalments) and loan seven was for £1,500 (to be repaid in four monthly instalments). Mr M didn't make any repayments for loan seven and a balance remains outstanding.

Piggybank was required to lend responsibly. It should have made checks to make sure Mr M could afford to repay the loans 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 Piggybank had to do.

Piggybank said it asked Mr M for his monthly income and outgoings for all his loans. He said he earned £1,823 and his outgoings for his normal living costs, regular bills and credit commitments totalled £1,050. Piggybank said it also added to Mr M's outgoings any credit owed it saw in his credit file.

Piggybank has offered to refund or remove the interest for loans six and seven, adding interest to the refund and removing adverse information about the loans from Mr M's credit file. This is what I'd require if I found the loans to be unaffordable. I think Mr M should repay the principal he borrowed as he had benefit of it. So I won't comment on these loans further.

I agree with the adjudicator that Piggybank's checks were proportionate and sufficient for loans one and two. These were Mr M's first loans from Piggybank. It checked his income and outgoings and he looked to have sufficient disposable income to comfortably repay the loans. There were no prompts for it to make further checks. So I can't say that Piggybank was wrong to approve these two loans.

But I also agree that Piggybank should have made better checks for loans three to five. Loan three was the third in quick succession for a further increased amount. I think Piggybank should have been prompted by this, and the further increase for loan four, to also ask Mr M about his other short-term lending to check that he wasn't dependent on this type of borrowing. And for loan five, I think Piggybank should have looked closely at Mr M's finances and verified what he'd told it about his circumstances. But I can't see that it did this.

I've looked at Mr M's bank statements from the time to get this information about his finances, but Piggybank could easily have asked Mr M for it.

From these statements, I can't see that Mr M had any other short-term loans when he asked for loans three and four. So I think if Piggybank had made better, as I have, it would have found that Mr M had sufficient disposable income to repay his loans without further borrowing.

I've also looked at the bank statements provided to see what Mr M's financial circumstances were for loan five.

I can see that he'd stated his income accurately. His outgoings were slightly less than he'd stated. He was gambling a little, but this wasn't out of control. He took out two other short-term loans after he took out the loan from Piggybank, so it wouldn't have been aware of this if it had made better checks. I think Mr M still had sufficient disposable income to repay loan five comfortably.

So I think better checks would have shown that loans three to five were affordable for Mr M. And so I can't say that it was wrong for Piggybank to provide loans three to five.

### **my final decision**

My final decision is that I uphold this complaint in part. I require DJS (UK) Limited (trading as Piggybank) to do the following, as it's already agreed to do:

1. Refund the interest and charges Mr M paid for loan six, and waive those due for loan seven, adding interest at 8% simple per annum to this refund from the date of payment to the date of settlement. This refund should be offset against the capital balance Mr M owes for loan seven.
2. HM Revenue & Customs requires Piggybank to withhold income tax from that interest. It must give Mr M a certificate showing how much it's taken off if he asks for one.
3. Remove any adverse information relating to these two loans from Mr M's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 March 2019.

Phillip Berechree  
**ombudsman**