Financial Ombudsman Service

Complaint

Mr T complains that S.D. Taylor Limited shouldn't have given him loans as these were not affordable he wants the loans written off.

background

Mr T took out 23 loans with S.D. Taylor between 2011 and 2017, for between £280 and £1,575.totalling £9,750. He says as he took out his second loan only one month after the first loan, S.D Taylor should've been alerted and have carried out more affordability checks.

The adjudicator upheld the complaint in part. She said, when deciding to lend to Mr T, S.D. Taylor should have carried out sufficient checks to understand whether he would've been able to sustainably repay what was borrowed. Such checks must be proportionate to the circumstances at the time. She noted two of the first four applications were not available, but she thought that no further checks were needed on the two that were available, based on the amounts borrowed and information Mr T provided. By the time Mr T was asking to borrow for the fifth time she thought S.D. Taylor should have carried out some further checks as he was showing a pattern of repeated borrowing and the amounts being asked for were increasing. She said if it had done this it would have seen that his declared weekly income of over £1,000 was actually his monthly income.

She accepted that Mr T didn't provide S.D. Taylor with accurate information, but thought it should have carried out further checks. If it had it would have seen he was in financial difficulty. Mr T only declared £30 outgoing for credit when he had another loan of nearly £90 a month and credit card debt. Furthermore, he had also defaulted on five debts with other lenders and his bank statements showed regular gambling transactions.

In her view she thought S.D. Taylor should refund all interest and charges applied to Mr T's loans from the fifth loan in December 2012 and all loans after this pay 8% interest and amend his credit file.

S.D. Taylor didn't agree. It pointed out that it was aware his monthly income was £1,000 as evidenced by later affordability assessments. Mr T completed affordability assessments every time, and signed to confirm the information was accurate. In its view it was normal to offer further loans and for the amounts to be increased. This happened as he had a good payment history and passed the affordability checks. Furthermore he had a large disposable net income and could afford the loan repayments. There was clear evidence of more than enough net disposable income to support the contractual repayments. It also completed a credit check before Mr T obtained his first initial loan. S.D. Taylor did state that for the final three loans 27/10/2016, 12/2016 and 19/01/2017, the agents did note they had seen a bank statement, so if this showed evidence that the loan may have been unaffordable then it would offer redress for these three loans plus interest. It noted that loans were generally repaid on time or earlier and Mr T never telephoned its customer relationship centre or made the agent aware that he was struggling with repayments or felt vulnerable.

Mr T provided his last bank statements from 2016-2017 which did show gambling.

my findings

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

I agree with the adjudicator and uphold this complaint in part. When deciding to lend to Mr T, S.D. Taylor should have carried out sufficient checks to understand whether he would have been able to sustainably repay what was borrowed. I agree that sufficient checks were carried out in respect of the first four loans based on the information provided and amount borrowed. I agree with the adjudicator that by the time Mr T was asking to borrow for the fifth time further checks should have taken place as he was borrowing more and this was repeated borrowing. Although S.D. Taylor said it was aware that the £1,000 declared income was monthly, not weekly, if further checks had taken place it would have seen he was in financial difficulty due to credit card debts and regular gambling. For the last three loans, S.D. Taylor's agent noted the bank statements had been seen, but these clearly showed significant gambling. These did not appear to have been taken into account as it appeared from the statements that the loans were unaffordable.

Mr T didn't say he was in financial difficulty and provided inaccurate information, but an analysis of the bank statements would have shown the loans were not affordable.

I find that S.D. Taylor should refund all interest and charges applied to Mr T's loans from the fifth loan in December 2012 and all loans after this with 8% interest. It must also amend his credit file.

my final decision

My final decision is that I uphold this complaint.

SD Taylor Limited is ordered to;

- refund all interest and charges applied to Mr T's loans from the fifth loan in December 2012 and all loans thereafter.
- Pay 8% simple interest from date of payment until date of settlement
- amend Mr T's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 29 May 2018.

Clare Hockney
ombudsman