

## complaint

Mr B complains that Uncle Buck Financial LLP (Uncle Buck) didn't carry out proper affordability checks and shouldn't have agreed to lend him 9 loans as he couldn't pay them back.

## background

Mr B took out 9 short term loans between 7<sup>th</sup> August 2014 and 6<sup>th</sup> August 2015. A summary of his borrowing is as follows;

Loan Number	Borrowing Date	Repayment Date	Instalments	Highest monthly repayment amount
1	07/08/2014	28/08/2014	1	337.38
2	01/09/2014	26/09/2014	1	674.75
3	30/09/2014	23/10/2014	1	809.70
4	28/10/2014	28/11/2014	1	877.18
5	30/11/2014	22/12/2014	1	674.75
6	22/12/2014	28/01/2015	1	910.91
7	05/02/2015	07/03/2015	3	285.98
8	10/03/2015	29/04/2015	3	232.92
9	06/08/2015	26/10/2015	3	384.39

Uncle Buck says for each loan, it took account of the information Mr B gave along with a credit file assessment. It considered his credit score which it says was acceptable. It said Mr B's income well exceeded his monthly expenditure and all the loans were in its opinion, affordable. That said Uncle Buck did make an offer to repay interest and reverse any adverse credit history for loans 4, 5 and 6.

Our adjudicator felt this complaint should be partly upheld. She said that Uncle Buck had carried out proportionate checks for loan 1. But she didn't think their checks for loans 2 and 3 were sufficient. She concluded though that Mr B would have been able to afford the repayments for these 2 loans anyway if Uncle Buck had carried out what she felt were proportionate checks.

Our adjudicator then outlined the offer that Uncle Buck had made for loans 4 to 6 and went on to say that they didn't carry out sufficient checks for loans 7-9. She said that if Uncle Buck had carried out a full review of Mr B's finances then it would have seen that he couldn't afford to make the repayments for loans 7 and 8 but would have been able to afford loan 9.

Uncle Buck didn't agree with our adjudicator's view. It reiterated its offer to pay compensation for loans 4, 5 and 6 and says its offer is fair.

Mr B hasn't accepted this offer. As both parties cannot agree this complaint has been passed to me to make a decision.

## **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've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loan was offered.

I think the overarching questions I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are:

- Did Uncle Buck, at the time it lent, complete reasonable and proportionate checks to satisfy itself that Mr B would be able to repay in a sustainable way?
- If not, would those checks have shown that Mr B would have been able to do so.
- Taking into account the short-term purpose of the loans provided, did the overall pattern of lending increase Mr B's indebtedness in a way that was otherwise unsustainable or harmful?
- Did Uncle Buck act unfairly or unreasonably in some other way?

If I determine that Uncle Buck did not act fairly and reasonably in its dealings with Mr B and that he has lost out as a result, I will go on to consider what is fair compensation.

Uncle Buck was required to lend responsibly. It needed to make checks to see whether Mr B 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 B was borrowing and the length of the agreement. But there was no set list of checks Uncle Buck had to do.

Before lending to Mr B, Uncle Buck had to make sure each loan was affordable. There aren't set checks it had to carry out. But its checks should've been proportionate to things like – but not limited to – the size of the loan, the repayments and what Uncle Buck knew about him.

Uncle Buck says it asked about Mr B's income and expenditure and did a credit check and used his credit score each time. It says it relied on the information he gave.

I agree with the adjudicator that the checks Uncle Buck carried out on loan 1 went far enough. He was a new customer and the loan repayment appeared affordable on the information Uncle Buck had available.

Mr B took out loan 2 on 01/09/2014 and then almost a month later took out loan 3 on 30/09/2014. I think for these two loans, Uncle Buck should have carried out further checks and also looked into what sort of short term lending commitments Mr B held at the time each loan was granted. I say this because the repayment amounts for loans 2 and 3 were significantly higher than the first loan and Mr B had started to borrow in regular short intervals. That being said, if Uncle Buck had carried out proportionate checks it would have still seen that Mr B could afford the repayments for these 2 loans. Mr B declared his monthly income to be £2475 and his expenditure as £450. His short term commitments around the time of both loans was no more than £600 leaving him enough disposable income to be able to afford the repayments when they fell due. So I think Mr B would have been able to afford loans 2 and 3 even if Uncle Buck had carried out sufficient checks.

By the time Mr B applied for loan 4 he'd been borrowing regularly for 3 months. By this stage, I think Mr B's pattern of borrowing suggested he may've been becoming reliant on these loans. And so with this in mind, I think it would've been reasonable and proportionate for Uncle Buck to have asked more questions and carried out more checks. For loans 4 to 9 I think Uncle Buck should have been considering carrying out a full review of Mr B's financial circumstances.

As I have already concluded, Uncle Buck should have been verifying the information Mr B provided from loan 4 onwards and looking into his circumstances more. If it had done this when it granted loans 4-8, it would have seen he held a number of other financial commitments and also gambling expenditure. And when these amounts are considered alongside Mr B's normal living costs, I can't see that he had enough disposable income to afford the loan repayments from loan 4 to loan 8. These 5 loans weren't sustainable.

Mr B was consistently making gambling payments that when added to his expenditure meant that he had no disposable income to make the repayments when they were due for loans 4 to 8. So if Uncle Buck had carried out further checks for these 5 loans it would have seen that they were not affordable for him.

Mr B took out loan 9 a few months after loan 8 had been repaid. I have already concluded Uncle Buck should have carried out detailed checks for this loan also and should have been verifying the information Mr B was giving them. But if it had done this for loan 9 then it would have found that this loan was affordable for Mr B. This is because I can see that at this stage Mr B was no longer making any gambling transactions. This meant that he had disposable income to be able to meet the monthly repayments when they became due for loan 9. So I think Mr B would have been able to afford loan 9 and Uncle Buck would have seen this if it had carried out sufficient checks.

Taking everything into account I don't think Uncle Buck has shown its checks for loans 4 to 8 were sufficient or proportionate given Mr B's borrowing history or, the amounts borrowed. I consider proportionate checks would have shown Uncle Buck that Mr B couldn't afford to repay loans 4 to 8.

On balance I don't think loans 4 to 8 should've been granted. Uncle Buck should put right what it did wrong.

### **putting things right**

I don't think Uncle Buck should have agreed to give loans 4 to 8. So Uncle Buck should;

- Refund any interest and charges applied to loans 4 to 8.
- Add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement\*.
- Remove any adverse information recorded on Mr B's credit file in relation to the loans.

\*HM Revenue & Customs requires Uncle Buck to take off tax from this interest. Uncle Buck must give Mr B a certificate showing how much tax it's taken off if he asks for one.

**my final decision**

My final decision is that I partly uphold Mr B's complaint and direct Uncle Buck Finance LLP to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 30 April 2019.

Mark Richardson  
**ombudsman**