

## **complaint**

Mr D complains that Stagemount Limited wrongly lent him money he couldn't afford to pay back.

## **background**

Mr D took out a number of payday loans with Stagemount. He said that the business didn't carry out proper affordability checks or properly check his credit report. When Mr D struggled to pay back the loans he rolled over the loans and took out more payday lending. He says that this has led to a spiral of debt and he has had to take out more loans at high interest rates. Stagemount said that Mr D met its criteria for lending and he didn't say that he was struggling.

Our adjudicator recommended that the complaint should be upheld. She thought that looking at Mr D's credit report it should've alerted Stagemount that Mr D had a poor credit history and that he was taking out a number of payday loans. She thought that by the time of the third loan Stagemount should have realised by looking at Mr D's pattern of borrowing that he was reliant on short term credit and shouldn't have lent him any more money. Stagemount didn't agree and said that not all the information on Mr D's credit report was available to it. It had carried out proportionate checks based on the information available and the fact that the loan was rolled over 6 times before it was repaid was not necessarily an indicator that Mr D was in difficulty.

## **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 looked very carefully at the evidence provided by Mr D. It shows that he was struggling to meet his financial commitments and was overly reliant on payday lending. Looking at Mr D's pattern of borrowing it was clear that he was borrowing to pay off the previous loans or rolling them over. I think that this pattern should have prompted Stagemount to ask for more information about Mr D's circumstances by the time of the third loan.

I can't say that the credit checks carried out by Stagemount were properly taken into account. The credit checks did reveal that Mr D had other payday lending and taken with his applications to roll over the third loan so many times this would suggest that he was not managing to service all of his credit commitments without relaying on more borrowing. Although Mr D took out the loans and provided information to get them I don't think that this is enough for me to say Stagemount acted responsibly. Mr D wanted and needed the loans because of the spiral of debt he was in. Stagemount should have suspected this was the case looking at the pattern of borrowing and the credit report when Mr D asked to roll over the third loan. Mr D then asked for the fourth loan on the same day that the third loan was repaid after being rolled over 6 times. Even though on the face of it Mr D appeared to be meeting his repayments this was because of the payday lending. I agree with the conclusions of the adjudicator that lending Mr D more money after the third loan in these circumstances without carrying out more robust checking was irresponsible.

Mr D has had the benefit of the money so I think it is only fair that he pays it back but I agree with the adjudicator that any interest or charges incurred from loans three onwards should be refunded and all information recorded on Mr D's credit file about these loans should be

removed. Stagemount says that this would give a misleading picture to Mr D's future lenders but I don't agree. Stagemount should never have given Mr D these loans and his credit file should reflect the position he would have been in if this had happened.

**my final decision**

My final decision is that I uphold this complaint. In full and final settlement of it Stagemount Limited should do the following:

1. Refund any interest and/or charges applied to the account from loan three onwards together with 8% simple interest per year from the date it was paid until Mr D gets it back.
2. Remove any information recorded on Mr D's credit file about these loans.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 11 April 2016.

Emma Boothroyd  
**ombudsman**