

## complaint

Mr S complains that MYJAR Limited provided him with short-term loans he couldn't afford to repay.

## background

Based on what I've seen, Mr S took five loans with MYJAR as follows:

Agreement Date	Principle Amount Borrowed	No. of repayments due	Maximum monthly payment including interest	Loan closed
12/02/2015	£100	1	£131.20	24/02/2015
09/03/2015	£100	1	£136	23/04/2015
14/12/2015	£625	6	£194.87	05/01/2016
27/03/2016	£500	6	£147.68	06/04/2016
30/04/2016	£1,500	6	£444.74	03/06/2016

Mr S contacted MYJAR in May 2016 – whilst the final loan was still running, to explain he was in financial difficulty. MYJAR says it froze the balance on this loan at £1,626.75 on 13 May 2016. And that it subsequently accepted a payment of £1,600 in settlement of the loan and the account was closed on 30 June 2016 when the payment was received.

Mr S then complained saying all the loans were unaffordable. But MYJAR didn't accept that it had done anything wrong. It said that the loans were issued appropriately based on the checks it did and the information Mr S provided in his applications.

Our adjudicator looked at the complaint. She thought MYJAR had completed proportionate checks on loans one and two. However, she didn't think the checks it had carried out before agreeing to lend loans three to five were sufficient. But she also thought that MYJAR would've still lent to Mr S loans three and four if it had carried out proportionate checks. She'd looked at Mr S's statements from around the time he borrowed these loans and she indicated that these showed Mr S had sufficient disposable income to meet the repayments on these loans. But she didn't think MYJAR should've lent Mr S loan five. She felt that by loan five, MYJAR should've been undertaking much more thorough checks and, had it done so, it would've known Mr S wasn't going to be able to afford to repay this loan sustainably. Mr S was gambling heavily and relying on short-term lending to make ends meet. So she recommended that MYJAR should refund any charges and interest Mr S paid on loan five (plus 8% interest). And that it should remove any adverse data it has recorded on Mr S's credit file about this loan.

Neither party agreed. Mr S said the refund of interest should apply to all five loans as all five loans were unaffordable for him. And that the adjudicator had miscalculated the level of his income. MYJAR thought that proportionate checks had been carried out on every loan application. In summary, it said:

- Mr S would've been required to enter any changes in his income and expenditure when he applied for every loan. And that if no changes were recorded in the records it sent us this is because Mr S would've confirmed that there weren't any changes since the previous application.

- The information provided by Mr S indicated he had sufficient disposable income to meet the loan repayments including interest.
- The regulations didn't require it to check Mr S's bank statements. So it wasn't aware of Mr S's expenditure on gambling. And monthly gambling transactions are not a clear indicator of financial difficulty or vulnerability.
- Mr S established a good historical repayment record with MYJAR – repaying loans early and leaving an average of 89 days between loan repayments and new loan requests.
- Mr S didn't mention any financial difficulties he was in until after he had taken out the final loan. At which point it froze interest and charges. And it later agreed a reduced settlement figure.

So the complaint has been passed to me to review all the loans afresh and make a final decision.

### **my findings**

I've considered all the available evidence and arguments afresh 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 loans were offered.

MYJAR was required to lend responsibly. It needed to make checks to see whether Mr S could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr S was earning, how much he had to pay each month including interest and what it knew about Mr S including his lending history with it. But there was no set list of checks MYJAR had to do.

MYJAR has told us that it did a credit search and asked Mr S about his normal monthly income and some of his monthly outgoings at the outset. And from what I've seen, it seems that Mr S updated some of this information on an ongoing basis throughout the time he was borrowing from MYJAR.

### ***loans one and two***

With the first two loans, Mr S was asking to borrow £100. And it seems Mr S told MYJAR that he was employed and receiving a regular monthly income of £2,000. MYJAR has also shown us its records which indicate it asked Mr S some questions about his monthly expenditure. And that it also undertook a credit search.

I appreciate Mr S feels strongly that MYJAR should've have been doing much more thorough affordability checks from loan one. But I need to consider whether the information reasonably available to MYJAR at the time of each application would've indicated further checks were required before lending to him. And bearing in mind what Mr S told MYJAR at the time of these loans and that they were the first two loans he'd requested from it, overall, I think MYJAR did sufficient checks when it lent to Mr S on these two occasions.

#### *loans three and four*

Both of these loans were for more than what Mr S had borrowed before. Although the monthly commitment wasn't substantially higher than what Mr S had paid before, he was required to maintain the payments over a longer period of time. So I think MYJAR should've been asking Mr S for some more detailed information about his monthly living costs and regular financial commitments. From what I've seen it seems that, at various times throughout his relationship with MYJAR, Mr S was contacting it to update some his personal circumstances – including changes in his income and expenditure. But I can't see that MYJAR specifically asked Mr S for a full financial breakdown of all his regular income and expenditure at the time he applied for these loans. I can see Mr S updated some information. And I've noted MYJAR has said that if its records don't show any updates it's because Mr S confirmed the previous information provided hadn't changed. And MYJAR has pointed to the amount of disposable income these details suggested Mr S had. So I've thought about this carefully. But overall I've not seen enough to be satisfied that MYJAR asked for all the information it should've done. These loans were now the third and fourth time Mr S had borrowed from MYJAR. And the loan amounts were higher than before. So I don't think that MYJAR could've been confident that the expenditure information it had gathered reflected Mr S's true financial situation at these points. So I think it should've been asking more questions rather than relying on answers to standard application questions.

So I've looked at Mr S's bank statements from around the time he applied for these loans to see what sort of information Mr S might have told MYJAR had it asked more detailed questions. But from what I've seen - and taking into account the type of questions I would've expected MYJAR to ask Mr S about living expenses and regular financial commitments at this stage, I think MYJAR would've found that Mr S had enough disposable income each month to meet the repayments on the loans. So even if MYJAR had gathered more information when it lent Mr S these loans, I think it would've thought the loans were affordable to him.

#### *loan five*

Our adjudicator has said that at this point she'd calculated Mr S's monthly income to be £2,800. MYJAR says this means he had more disposable income that he had declared. But Mr S has said that his total monthly income was never higher than £2,025. I don't think I need to comment on this discrepancy. By this point in MYJAR's relationship with Mr S, I think it should've been making much more detailed checks about Mr S's income and expenditure. With this loan Mr S was borrowing substantially more than he had before and the monthly payment was much higher. So on this occasion, I think it should've been asking Mr S for some evidence to support what he was saying about his income and expenditure.

I acknowledge MYJAR's point about it not being required to review bank statements. But by this point, I think the checks MYJAR needed to do go beyond those carried out before. And checking bank statements is just one way this could've been done. And I think that if it had asked Mr S to verify the information he was providing, based on what I've seen I think MYJAR would've known that by this time Mr S didn't have anywhere near the disposable income that he had declared – regardless of whether his income was £2,025 or £2,800 per month. Mr S's statements show he was gambling heavily and borrowing from other short-term lenders. And I don't think MYJAR would've agreed to provide Mr S with this loan in the circumstances.

So I don't think that MYJAR should've given Mr S loan five. And as a result MYJAR needs to pay him some compensation.

### **putting things right**

I don't think MYJAR should've agreed to lend to Mr S loan five. From what I've seen, Mr S borrowed £1,500 when he took loan five. And he repaid £1,600. So MYJAR Limited should:

- refund him £100;
- pay interest of 8% simple a year on the refund from the date of payment to the date of settlement†;
- if Mr S has made any other payments on this loan these should also be refunded plus 8% interest as outlined above.
- remove any adverse information recorded on Mr S's credit file in relation to loan five.

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

### **my final decision**

For the reasons explained, I partially uphold Mr S's complaint against MYJAR Limited. I direct it to put things right for Mr S in the way I've described above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr S to accept or reject my decision before 9 March 2017.

Sandra Greene  
**ombudsman**