

complaint

Mr H's complaint is about two instalment loans he took with Elevate Credit International Limited trading Sunny. Mr H says these loans were unaffordable.

background

Sunny provided Mr H with two instalment loans between July 2018 and August 2018.

Loan	Date Taken	Date Repaid	Instalments	Amount	Highest monthly repayment
1	09/07/2018	balance outstanding	6	£450.00	£139.13
2	31/08/2018	balance outstanding	6	£100.00	£171.88*

*As Mr H took the second loan whilst the first was still outstanding, the highest monthly payment is made up of £139.13 for the first loan and £32.75 for the second loan.

Our adjudicator thought Sunny hadn't done anything wrong when providing Mr H with loans 1 and 2. Mr H disagreed with this so the case was passed to me – an ombudsman – for a final 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 considered the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Having carefully thought about all of this, I don't think Sunny has treated Mr H unfairly or that it should pay him compensation. I know this will come as a disappointment to Mr H and I'd like to explain why I think this is the case.

Mr H was provided with high-interest loans, intended for short-term use. So Sunny needed to make sure that it didn't provide them irresponsibly. In practice, what this means is that Sunny needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr H before providing it.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low, or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

In his complaint Mr H says that Sunny didn't lend to him responsibly because he was unable to afford his monthly bills after he had taken out the loans. He also says that the lending meant he had to take out other short-term loans and he resorted to gambling. On the other hand, Sunny says that it carried out adequate checks – by gathering details of Mr H's income and expenditure. And based on this Sunny says it didn't see anything to alert it to any sustainability or affordability issues for the loans it gave Mr H.

It's important to note that when Mr H took out his first loan with Sunny it doesn't seem that he had an existing relationship with them. The first loan was to be repaid over 6 instalments of around £139. He'd told Sunny that his monthly income was around £3,200. Loan 2 was taken out whilst loan 1 was still running but was for a significantly smaller amount. And together it meant that Mr H was going to have to repay around £172 per month. When Mr H applied for loan 2 Sunny carried out similar checks as it did for Loan 1. And he said that his essential expenditure was £275, his housing was £950 and his credit expenses were £350 – totalling monthly outgoings in those three areas of £1,575. And I can't see anything to suggest that Sunny had reason to question the information it had about Mr H.

Looking at the monthly repayments in light of Mr H's declared disposable income it's difficult for me to conclude that Sunny was wrong to decide that the repayments would be affordable sustainably for Mr H. I note what he says about these loans forcing him into taking further loans. But I don't think there were signs which should've led Sunny to do more checks and I've not seen enough evidence to persuade me that it acted irresponsibly in the circumstances of this case.

Sunny has previously offered Mr H a 70% settlement of his outstanding balance with it which he could've taken up within 30 days. Mr H didn't take this offer up at the time, but Sunny has confirmed Mr H can contact it directly to see if it can re-issue the offer. Although I'm not upholding Mr H's complaint and can't require Sunny to repeat the offer to settle, I would remind Sunny of its obligation to treat its customers fairly.

my final decision

For the reasons explained above, I do not uphold this complaint against Elevate Credit International Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 24 February 2020.

Chandni Green
ombudsman