

complaint

Miss T complains that Elevate Credit International Limited (trading as Sunny) gave her loans that she couldn't afford to repay.

background

Miss T was given four loans by Sunny between August and October 2017. Each of the loans was repayable in six monthly instalments. At the time Miss T brought her complaint to us the first three loans had been fully repaid. But a balance remained outstanding on her final loan. A summary of Miss T's borrowing from Sunny is as follows;

Loan Number	Borrowing Date	Repayment Date	Loan Amount
1	06/08/2017	16/10/2017	£ 400
2	28/09/2017	29/09/2017	£ 100
3	09/10/2017	16/10/2017	£ 100
4	17/10/2017	-	£ 400

Miss T's complaint has been assessed by one of our adjudicators. She thought that the checks Sunny had done before agreeing each of the loans had been sufficient. And she thought that those checks suggested that Miss T would be able to repay the loans in a sustainable manner. So she didn't think the complaint should be upheld.

Miss T didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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 loans were offered.

Sunny was required to lend responsibly. It needed to make checks to see whether Miss T could afford to pay back each loan before it lent to her. Those checks needed to be proportionate to things such as the amount Miss T was borrowing, and her lending history, but there was no set list of checks Sunny had to do.

Sunny has told us about the checks it did before lending to Miss T. It asked her for details of her income, and her normal expenditure, before agreeing each loan. And it gathered information on Miss T's circumstances from a credit reference agency.

The information that Miss T provided to Sunny suggested that she had a significant amount of disposable income each month that she could use to repay any lending. Although the answers she gave for her expenditure varied each time, at worst she told Sunny that she had a disposable income of £1,425.

The amounts that Miss T needed to repay on each of the loans were relatively modest. But it does seem that Miss T asked for the second loan whilst she was still repaying the first. And although she repaid loan 2 within a matter of days, she asked for her third loan whilst the first was still being repaid too. But even taking into account that Miss T would be making repayments on two loans at the same time the highest amount she'd need to repay each month was only a little over £150. So I think it was reasonable here for Sunny to base its affordability assessment on the information Miss T provided.

From what I have seen, the credit check results that Sunny received didn't show Miss T had any great dependency on short term lending. She had taken some loans in the past, but the numbers of loans shown on the credit checks were very small. And the credit checks didn't show any other problems with Miss T's finances such as delinquent accounts or county court judgements. So I don't think the credit check results should have caused Sunny to think it needed to dig deeper into Miss T's circumstances.

I can see from Miss T's bank statements that her finances were actually nowhere near as healthy as I've described above. It seems that Miss T was borrowing from other short term lenders, and she seems to have been spending significant amounts each month on what appear to be gambling transactions. But that wasn't information that she provided to Sunny when she was asked about her financial position. And I don't think it is something that what I consider to be proportionate checks would have uncovered either. So I don't think Sunny did anything wrong in giving these loans to Miss T.

my final decision

For the reasons given above, I don't uphold the complaint or make any award against Elevate Credit International Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 3 October 2018.

Paul Reilly
ombudsman