

## complaint

Mr A complains that Active Securities Limited, trading as 247 Moneybox, was irresponsible to give him loans that he couldn't afford to pay back. This contributed to his spiral of debt.

## background

Mr A borrowed seven times from 247 Moneybox between April and December 2012, as follows:

loan number	date taken	amount borrowed
1	11 April 2012	£80
2	21 May 2012	£100
3	19 August 2012	£175
4	8 September 2012	£250
5	12 November 2012	£410
6	5 December 2012	£580
7	12 December 2012	£580

Mr A feels that the loans were unaffordable because he had other debts at the time. His financial position was worsening and he was gambling so he didn't think 247 Moneybox should have agreed them.

Mr A has also complained that 247 Moneybox hasn't responded to his requests for a copy of his statements.

We asked 247 Moneybox to provide us with its credit file so that we could investigate fully Mr A's complaint. Despite further chasers, it didn't respond. So the adjudicator looked at the information from Mr A's credit report and bank statements. Based on this evidence provided to us by Mr A he felt that 247 Moneybox had been wrong to lend to Mr A for some of the loans. If it had made reasonable enquiries of him, it would have seen that the loans from number 3 onwards weren't affordable to Mr A. He suggested 247 Moneybox should refund all interest and charges paid on the loan, pay interest on these sums and remove any adverse information from Mr A's credit file.

Disappointingly 247 Moneybox didn't respond to the adjudicator's assessment so the complaint has been passed to me to decide. This is the last stage of our process. If Mr A accepts my decision it is legally binding on both parties.

## my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Before lending to Mr A 247 Moneybox had to make sure the loans were affordable for him. 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 it knew about him.

247 Moneybox was regulated by The Office of Fair Trading (OFT) when it lent to Mr A. Its guidance was clear about the responsibility of the lender to take reasonable steps to ensure that a borrower could *sustainably* repay their loans. The guidance goes on to say that repaying credit in a sustainable manner means being able to repay credit “*out of income and/or available savings*” and without “*undue difficulty*.” And it defines “*undue difficulty*” as being able to repay credit “*while also meeting other debt repayments and normal/reasonable outgoings*” and “*without having to borrow further to meet these repayments*”.

Because we don't have 247 Moneybox's business file, I can't see what questions it asked Mr A, or what information he provided to it, before the loans were granted. So I have no alternative but to rely on the information that Mr A has provided to us. I accept this isn't ideal, but it does allow me to assess what answers I think Mr A would most likely have given if he was asked for the information that I'd consider to be proportionate for each loan.

#### *loans one and two*

I think it is likely that, as a minimum, 247 Moneybox would have asked Mr A about his income and done a credit check when he applied for the loans. I have looked at Mr A's credit report and see that it showed that he had a county court judgement recorded against him in February 2012. I don't know exactly what the credit check 247 Moneybox would have shown but, given the severity of a county court judgement (CCJ), I think it likely that it would have contained sufficient adverse information to have prompted 247 Moneybox to have found out further information about Mr A's circumstances. So for both these loans I'd have expected Mr A to be asked for details of both his income and normal monthly living costs, including details of his regular financial commitments.

I don't know whether or not he was asked for this information. But, I can see from his bank statements that, at the time of the loans, his income was in the region of £1,900 per month. And over this period his normal living costs (including regular financial commitments) were around £1,200. So the repayments appeared to be easily affordable based on Mr A's disposable income at that time and I don't think 247 Moneybox did anything wrong in agreeing to give these first two loans to Mr A.

#### *loans three to seven*

Given the existence of a CCJ, and, for loan 3, Mr A had asked to borrow more than double the amount he had borrowed for his first loan, I think that 247 Moneybox should also have been asking Mr A about whether he had any other short term loan commitments. And from loan 4 onwards it should have taken steps to independently verify his true financial position before agreeing to lend.

When Mr A applied for loan 3 his normal monthly income had increased to around £2,300 but he was relying on borrowing from other short term lenders, with monthly repayments in excess of £1,000. His normal living costs and other commitments remained at just over £1,200. So with a disposable income of about £100 I think 247 Moneybox would've concluded that repayment of this loan, plus interest and fees, within a month wouldn't have been affordable to Mr A.

And if 247 Moneybox had taken steps to verify his true financial position, perhaps by looking at his bank statements, before lending from loan 4 onwards, it would have seen that his income was £2,385, living costs were £1,350 and he repaid other lenders £950. It would

have also become aware that Mr A was gambling heavily, spending over £600 in the month before 247 Moneybox agreed loan 4.

This level of expenditure continued for loan 5, and although Mr A's income increased to £2,600 before 247 Moneybox agreed the two loans (6 and 7) in December 2012, his normal living expenses were around £1,400, repayments to other short term lenders had increased to more than £1,000 and his net gambling spending was in excess of £800. Given this, I don't think it was right for 247 Moneybox to give him these loans.

### **putting things right**

I don't think 247 Moneybox should have agreed to lend to Mr A after, and including, the loan that he took on 19 August 2012 (loan 3). So for each of those loans 247 Moneybox should;

- Refund any interest and charges applied to the loans.
- 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 A's credit file in relation to the loans.

\*HM Revenue & Customs requires 247 Moneybox to take off tax from this interest.

247 Moneybox must give Mr A 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 A's complaint and direct Active Securities Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 22 June 2018.

Karen Wharton  
**ombudsman**