

complaint

Mr W has complained that Monkey Dosh Ltd lent to him irresponsibly.

background

Mr W took out five loans with Monkey Dosh between 8 August 2011 and 5 December 2013. These were as follows:

- loan 1: £150.00 taken out on 8 August 2011 and repaid on 31 August 2011;
- loan 2: £200.00 taken out on 9 September 2011 and repaid on 29 February 2012;
- loan 3: £300.00 taken out on 8 March 2012 and repaid on 31 July 2013;
- loan 4: £300.00 taken out on 9 August 2013 and repaid on 3 December 2013; and
- loan 5: £300.00 taken out on 5 December 2013, which has not yet been repaid.

He feels these were unaffordable, and Monkey Dosh should've realised this, so not lent to him.

Our adjudicator recommended that the complaint should be upheld in part. She thought Monkey Dosh had carried out sufficient checks for the first and second loans, and it hadn't been unreasonable to agree to them. But she thought Monkey Dosh shouldn't have continued to lend after this point.

Monkey Dosh agreed regarding the first two loans. But it noted that it didn't think the fact the second was rolled over five times should be indicative, going forward, that Mr W was having financial difficulties. It said there hadn't been any requirement to limit the number of rollovers, but it had still limited them to five. Also, it said its notes didn't show that Mr W had ever said he was having financial difficulties, and it's not fair to assume this.

It explained it had carried out checks for the third loan. These were looking at bank statements so it could check Mr W's income and a job confirmation. It didn't grant the loan that Mr W requested, but gave a lower sum. It said Mr W hadn't said he had other payday loans, or that he gambled. Had his bank statements shown this, it wouldn't have lent. It felt its checks were proportionate.

Regarding the last two loans, it noted there weren't any others showing with the credit reference agency. It also said it understood the reason for the borrowing was for a holiday. It said that the bank statements, although it no longer has copies, wouldn't have shown other borrowing, or the underwriter would have picked up on this. It was never told Mr W was having financial difficulties.

The complaint's now been passed to me for my 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 addressed each of the loans in turn.

first loan

I agree that it wasn't unreasonable of Monkey Dosh to grant the first loan. It carried out checks, which gave no cause for concern. The loan was for a relatively short amount, and was repaid within three weeks.

second loan

I also agree that it was reasonable to grant the second loan. There was no indication at this point that Mr W was having any financial problems.

That said, the way this loan account was managed should, I think, have raised concerns going forward. This is because it was rolled over five times. Whilst I accept there wasn't at that time a cap on the number of rollovers, I still think their likely significance is relevant when making further lending decisions.

third loan

By the time of the third loan, Mr W had rolled over his previous loan five times. Also, it had only been just over a week since he'd managed to pay it back. I think this was significant. To me, it's indicative of likely financial problems.

Monkey Dosh has explained it carried out checks, including looking at his bank statements. It says these didn't show any other payday borrowing. But I've looked at the statements I've been provided with. I can see they do show other payday borrowing, and significant gambling. Taking the other borrowing into account, alongside the previous recent rollovers, I think it should've been reasonably clear that Mr W was in an unsustainable cycle of dependency on payday loans. So I don't think the third loan should have been granted.

fourth and fifth loans

It had taken Mr W 16 months to repay the third loan. But just over a week after he had, Monkey Dosh lent to him for a fourth time, then again two days after he'd repaid the fourth. As explained, I already think the third loan shouldn't have been granted, as there were strong indications of a dependency on payday loans. This is the same for the fourth and fifth, but with the added issue of the repayment history of the third, and then of the fourth. So I don't feel it was reasonable to advance the fourth and fifth loans. As I understand it, the fifth loan hasn't been paid back.

conclusion

As explained, I don't think the final three loans should've been granted. This means I think it fair that the interest and charges in respect of them should be refunded. To any amounts of these that Mr W has paid back, 8% simple interest should be added. It would be reasonable for Monkey Dosh first to apply the refund to any outstanding balance. Anything left over would then go to Mr W directly. But if there's nothing left over, and there's still an outstanding balance, a realistic repayment plan should be set up.

It also follows that any adverse information relating to these three loans should be removed from his credit file(s).

my final decision

For the reasons given above, it's my final decision to uphold this complaint in part. I require Monkey Dosh Ltd to:

- refund all interest and charges on the third, fourth and fifth loans. To any amounts of these that have been repaid by Mr W, it must add 8% simple interest a year, from the date of each repayment to the date of settlement. It may first offset the refund against any outstanding balance;
- if, after this, there's still a outstanding balance, it must set up a realistic repayment plan; and
- remove any adverse information regarding these three loans from Mr W's credit file(s).

If Monkey Dosh Ltd considers that it's required by HM Revenue & Customs to withhold income tax from the interest, it should tell Mr W how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Mr W should refer back to Monkey Dosh Ltd if he's unsure of the approach it has taken, and both parties should contact HM Revenue & Customs if they want to know more about the tax treatment of this part of the award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 22 December 2016.

Elspeth Wood
ombudsman