

complaint

Mrs F's complaint is about two loans she took with Harvey and Thompson Limited (H&T). Mrs F says these loans were unaffordable.

background

H&T provided Mrs F with two instalment loans between November 2017 and April 2018. The loans are detailed below:

Loan	Date Taken	Date Repaid	Instalments	Amount	Highest Monthly Payment
1	20/11/2017	04/12/2017	3	£100.00	£43.17
2	17/04/2018	Outstanding	6	£100.00	£28.46

An adjudicator reviewed Mrs F's case and didn't think H&T needed to do anymore when providing the two loans to Mrs F. He said that H&T had gathered an appropriate amount of information about Mrs F and the information it gathered didn't reveal anything of concern for these two loans. Mrs F disagreed, she explained that she was dependent on short term lending and she was struggling financially. She also referred to her previous bankruptcy which she says H&T should've taken into account.

As no agreement could be reached, 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 H&T has treated Mrs F unfairly or that it should pay her compensation. I know this will come as a disappointment to Mrs F and I'd like to explain why I think this is the case.

Mrs F was provided with two high-interest loans, intended for short-term use. So H&T needed to make sure that it didn't provide them irresponsibly. In practice, what this means is that H&T needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mrs F 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 her complaint Mrs F says that the loans were given to her irresponsibly. She says she had serious financial issues and a gambling addiction. She says that H&T should've seen this and realised the loans were inappropriate for her. H&T says that it carried out adequate checks – by gathering details of Mrs F's income and expenditure. It also says it carried out a credit check. And based on this H&T says it didn't see anything to alert it to any sustainability or affordability issues for the loans it gave Mrs F.

It's important to note that when Mrs F took out her first loan with H&T it doesn't seem that she had an existing relationship with them. The first loan was to be repaid over three instalments of around £43.17. Mrs F had told H&T that her monthly income was around £1,800. Loan 2 was taken out once loan 1 had been repaid and the payments were spread over six instalments. H&T carried out similar checks on Mrs F and it seems her income and expenditure was similar to what it was for loan 1. And I can't see anything to suggest that H&T had reason to question the information it had about Mrs F.

Looking at the monthly repayments in light of Mr F's declared disposable income it's difficult for me to conclude that H&T was wrong to decide that the repayments would be affordable sustainably for Mrs F. I note what she says about using loans to repay existing loans. I can see from the credit check carried out that Mrs F did have a number of short-term loans in the months before applying for this loan. But most of these had been paid off and although Mrs F had a negative entry about a previous loan this wouldn't be enough for H&T to question her situation, especially given the amount she was borrowing.

Mrs F has also told us she was made bankrupt in 2011. This did come up on the credit check carried out by H&T. As it looks as though bankruptcy was over six years before loan 1 was issued I don't think this would have informed H&T about the issues she was experiencing at the time. Mrs F has also provided details of the discharge order and the restrictions it imposed. But it seems these restrictions were removed over a year before she took out loan 1. So although this information was available to H&T, I don't think there were adequate signs within it which should've led H&T to do more checks. And as this was early on in the lending relationship, I've not seen enough evidence to persuade me that H&T acted irresponsibly in the circumstances of Mrs F's case.

I appreciate this is not the outcome Mrs F was hoping for, and I appreciate she had experienced difficulties, both financially and mentally. But I hope my decision clearly sets out why I don't think H&T needed to do anymore.

my final decision

For the reasons explained above, I do not uphold this complaint against Harvey & Thompson Limited

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 1 June 2020.

Chandni Green
ombudsman