

complaint

Mr K complains about loans taken with SRC Transatlantic Limited (trading as Speedy Cash) which he says shouldn't have been given to him because the loans weren't affordable.

background

A summary of Mr K's borrowing is as follows;

loan number	loan amount	received date	actual repayment date	largest monthly repayment	number of repayments
1	£1,000	26/07/2012	01/09/2012	£1,225.00	1
2	£1,000	10/09/2012	03/01/2013	£234.57	12
3	£1,000	11/03/2013	16/03/2013	£235.54	12
4	£1,000	18/04/2013	08/07/2013	£222.86	12
5	£1,000	10/09/2013	11/10/2013	£237.40	18
6	£999.10	11/10/2013	27/11/2013	£236.82	18
7	£1,000	15/01/2014	outstanding balance	£258.98	18

The adjudicator reviewed Mr K's complaint and thought he had six loans. He thought the checks carried out on the first loan went far enough because Speedy Cash had proof of income and had recorded rent costs of £700 per month. But by loan three, the adjudicator felt Speedy Cash should've been gathering further information about any outstanding short term credit commitments Mr K may have had. And for loans five and six Speedy Cash should've had a full understanding of Mr K's financial situation. The adjudicator thought that had Speedy Cash carried out proportionate checks it wouldn't have given Mr K loans five and six.

Speedy Cash agreed with the adjudicator's recommendation but Mr K didn't. He made a number of points including;

- he wouldn't have told Speedy Cash his living costs were so low and
- he says he was late in repaying his second loan, which should've prompted Speedy Cash to have carried out further checks considering the high amount of disposable income it thought Mr K had.

These points didn't change the adjudicator's mind, so the case has been passed to me for a final decision.

In my provisional decision I set out why I was minded to partly uphold the complaint. I invited both parties to let me have any further comments and evidence. And both Speedy Cash and Mr K accepted the findings I reached in my provisional decision.

my findings

I've once more considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Because both Speedy Cash and Mr K accepted my findings, I see no reason to depart from the conclusions I reached in my

provisional decision. And I've explained below why I think Mr K's case should be partly upheld.

Speedy Cash had to gather enough information to be able to make an informed decision as to whether it was going to lend. The guidance and rules don't set out what checks must be done before lending is approved. However, Speedy Cash needed to conduct enough checks to make sure the loans were affordable for Mr K. And these checks needed to be proportionate to a number of things such as the size of the loans and when the loans were due to be repaid.

But even if the checks Speedy Cash carried out weren't proportionate, that alone doesn't mean Mr K's complaint should be upheld. I say this because, it's possible, that had further checks been carried out by Speedy Cash they could've shown Mr K was able to afford his loans. So Speedy Cash wouldn't have been wrong to lend him the money.

Speedy Cash says that it conducted affordability and credit checks. During the initial application Speedy Cash relied on the information Mr K had given it about his income and his outgoings. Speedy Cash then says it used its own credit scoring logic which assessed the accuracy of the information Mr K had given it. But Speedy Cash has also told us that it wasn't part of its processes to use credit reference agencies when assessing whether Mr K could afford the repayments.

Speedy Cash says that based on the information it gathered about Mr K, it was reasonable to lend to him because its assessment didn't show anything to cause it alarm. But I've thought about what Speedy Cash says and Mr K's circumstances at the time each loan was approved. And having done so, I don't think the checks Speedy Cash carried out were proportionate for all of the borrowing.

I think the checks Speedy Cash carried out on the first two loans didn't go far enough because of the amounts that Mr K was committed to repaying, considering his declared income. For the first loan Speedy Cash took details of Mr K's income – which it verified with his payslips. Speedy Cash has also shown us that it gathered details about Mr K's rent and it says he declared these costs to be £700 per month.

But Mr K says that he wouldn't have given such inaccurate information about his rent and I don't think this information would've given Speedy Cash enough information to be able to come to a decision as to whether Mr K could afford the repayment he was committed to making. So for this loan, I think Speedy Cash needed to gather some further information about Mr K's living costs.

Mr K's second loan was due to be repaid over a longer period of time - 12 months and this loan was taken out just over a week after Mr K's first loan had been repaid. I appreciate that Speedy Cash has recorded Mr K's rent as being £700 and why Mr K disputes this figure. But Speedy Cash were only aware of Mr K's rent – and not any associated living costs which he had to pay in addition to this – such as bills and council tax or what Mr K's monthly credit commitments were.

I've reviewed Mr K's bank statements to understand what his living costs were at the time the first two loans were approved. And even if Speedy Cash would've gathered some further information about his living costs and regular financial commitments, it would've most likely seen that Mr K had enough disposable income to afford the repayments he was committed to making. So I don't think proportionate checks would've stopped Speedy Cash from lending the first two loans to Mr K.

Mr K had some problems repaying his second loan, and missed a number of contractual payments. This should've prompted Speedy Cash to carry out further checks before agreeing to give Mr K his third loan, considering how much disposable income it believed Mr K had available. In addition to wanting to know about his outgoing and regular financial commitments, Speedy Cash should've gathered some further information about Mr K's outstanding short term lending commitments.

In order to find out what Mr K's short term credit commitments were, I've reviewed his bank statements. And I can see that at the time the third loan was approved Mr K had about £900 of outstanding payday loans. This is something Speedy Cash would've most likely seen had it carried out a proportionate check. And taking into account Mr K's living costs and regular financial commitments Speedy Cash would've most likely thought Mr K had enough disposable income to afford the loan. So I don't think proportionate checks would've stopped Speedy Cash from giving Mr K his third loan.

Mr K repaid his third loan within a week of taking it out, and then borrowed from Speedy Cash a month later. So by the fourth loan, given Mr K's borrowing history and the intended repayment period of the loan, I think Speedy Cash needed to have a more thorough understanding of Mr K's financial position. Speedy Cash could've done this a number of ways, such as asking to see proof of Mr K's outgoings or as I've done here, it could've asked to see his bank statements.

Mr K's bank statements may not have shown everything that Speedy Cash's proportionate checks would've shown. But the statements are the best indication I have of Mr K's affordability at the time the loan was approved, so I don't think it's unreasonable to rely on them.

Having looked at Mr K's bank statements, I don't think he had the ability to repay the loan. While the monthly income Speedy Cash has recorded is broadly correct it's clear from the statements that Mr K was spending more than his income each month gambling. And I think that had Speedy Cash undertaken proportionate checks, Mr K's gambling would've been brought to its attention and as a responsible lender it wouldn't have lent to Mr K.

For the remaining loans, Mr K's borrowing doesn't increase, but the length of each loan increases to 18 scheduled repayments. So I still think that Speedy Cash still needed to have a thorough understanding of Mr K's financial circumstances. And again, I've reviewed Mr K's bank statements throughout this period. Having done so, I can see that his financial position doesn't change. Mr K is still borrowing from other payday lenders and he is still spending more than his income each month gambling. And this is something that I think Speedy Cash would've been aware of it, it had carried out proportionate checks – and knowing this it wouldn't have thought that he could sustainably repay what he borrowed. So Speedy Cash wouldn't have given Mr K these loans.

how I propose Speedy Cash should put things right

To put things right for Mr K, Speedy Cash should:

- refund all the interest and charges paid by Mr K on loans 4, 5 and 6,
- add interest at 8% per year simple on the above interest and charges from the date they were paid to the date of settlement †;
- re-work loan 7 removing all interest and charges applied, leaving just the principal outstanding (but taking into account any repayments Mr K has made)
- I understand Mr K still owes Speedy Cash some money on his last loan. So I think it's fair that Speedy Cash can be allowed to deduct any principal sum outstanding from the final loan from the final compensation it pays to Mr K.
- remove any adverse information recorded on Mr K's credit file because of these loans.

†HM Revenue & Customs requires Speedy Cash to take off tax from this interest. Speedy Cash must give Mr K a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons given above, I partly uphold Mr K's complaint.

SRC Transatlantic Limited should pay Mr K compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 30 October 2017.

Robert Walker
ombudsman