

## **complaint**

Miss P complains that Amigo Loans Ltd mis-sold her eight loans she could not afford, and then refused to agree a repayment plan with her once she told it she could not afford to make the contractual repayments.

## **background**

Miss P took out eight loans with Amigo Loans between March 2014 and April 2017. Each loan was for a four-figure sum, except the last which was for £10,000. Each loan was guaranteed by a third party. The first seven loans were all repaid early (sometimes using money borrowed in a subsequent loan), but the eighth fell into arrears.

In May 2017 Miss P contacted Amigo Loans and told it she was in financial difficulties. She asked if it would agree a repayment plan, but it refused. Instead it began to take payments from the guarantor. Miss P complained about this, and she asked for the guarantor to be discharged of his liability. She also complained that the loans had not been affordable in the first place, and that Amigo Loans had not done proper affordability checks, such as asking to see her bank statements. She said her credit score had been zero, and that she had fallen into debt because of her gambling addiction, which she said had been fed by Amigo Loans.

Amigo Loans told Miss P it had been reasonable for it to rely on what she had told it about her income and outgoings, based on comparing her figures with national averages for her job, so it hadn't needed to see her bank statements. It had taken into account her good payment history. Contrary to what she had said in her complaint, her credit file showed she had no county court judgements against her, and she appeared to have been managing her credit well. She had not told it she was in financial difficulties, or had a gambling problem, until May 2017. It had then gone through her income and expenditure again, and had realised that she could not afford to make any repayments at all, so agreeing a repayment plan with her would have been irresponsible. For that reason it had pursued the guarantor instead. Amigo Loans said Miss P had now told it that she had in fact lied to it, and to her guarantor, in order to obtain the loans, but Amigo Loans was not responsible for that. It refused to discharge the guarantor, and said that if she had lied to him then that was a civil matter between the two of them, and not something that Amigo Loans could get involved in.

Miss P complained to our Service. She said she was in a spiral of debt, she'd had visits from bailiffs, and she'd had to make severe cutbacks in her routine spending. She'd had lots of creditors, and Amigo Loans should not have lent to her without doing more checks.

Amigo Loans said it had done adequate checks, and that its policy is to ensure that its clients still have at least £100 of disposable income left over after making their loan repayments. On one occasion Miss P had applied for a loan of £2,500, but Amigo Loans had only lent her £1,000. Miss P's credit score had not been zero but had been 528 or more. Its business model was however to lend to people with low credit scores, but the loans had all been affordable when they were sold. Miss P's failure to repay the last loan appeared to be the result of a change in her circumstances, namely that the guarantor was no longer contributing to her household bills. It would reconsider agreeing a repayment plan if her circumstances improved.

Our adjudicator did not uphold this complaint. He said that Miss P's repayment history had been good. She had made her repayments on time and had settled all of the first seven loans early, and not always by borrowing again. He had looked through her bank statements, and these did not suggest that she had been in financial difficulty. The larger loans had also had longer periods in which to repay, and Miss P's income and expenditure had suggested that she could afford to make the monthly repayments. There was nothing to suggest that Amigo Loans had not acted responsibly.

Miss P did not accept those findings, so she asked for an ombudsman's decision.

### **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I do not uphold it, for reasons broadly similar to those given by the adjudicator.

Amigo Loans is entitled to rely on what its customers tell it. It doesn't have to ask to inspect their bank statements in every case. I think it was reasonable of it to accept what Miss P told it about her income and her outgoings, especially as it compared these with national averages. I've seen the checks it did, and at the time of the eighth and largest loan – the one Miss P was unable to repay – her declared income minus her outgoings came to a disposable income of about £637. Her loan repayments were about £395 a month, so that still left her with about £242 a month left over. On those figures, which Amigo Loans had no reason to doubt at the time, the loan was affordable.

I appreciate that the loans were for large sums. But as they were to be repaid over periods of one to five years, the monthly repayments were never more than £395, and usually much less. These were all for less than Miss P's disposable income (as calculated from her declared income and expenditure), which was usually larger than the figure given above.

Amigo Loans was entitled to take into account Miss P's repayment history. Her payments towards the first seven loans were all made on time. Two loans were settled early, with no new borrowing. Five other loans were closed early when Miss P borrowed more money, and the outstanding balance on the old loan was paid off using the new loan. This on its own does not necessarily mean that she was in financial difficulty however, as in each instance the new monthly repayments were still affordable. The loans were as follows.

<b>Loan</b>	<b>Amount</b>	<b>Duration</b>	<b>Monthly payments</b>	<b>Notes</b>
March 2014	£1,500	12 months	£155	Replaced by second loan
July 2014	£4,500	36 months	£220	Settled early, March 2015
June 2015	£5,000	60 months	£200	Replaced by fourth loan
March 2016	£7,000	48 months	£300	Settled early, July 2016
October 2016	£1,000	12 months	£100	Replaced by sixth loan
November 2016	£4,000	36 months	£195	Replaced by seventh loan
February 2017	£7,000	36 months	£341	Replaced by eighth loan
April 2017	£10,000	60 months	£395	Outstanding

The total amount borrowed was therefore £21,500 (the sum of the second, fourth, and eighth loans).

I have paid particular attention to the fourth loan, in March 2016. This was a top-up of the third loan, and yet it had to be repaid in only four years, instead of the five years that had been allowed for the previous loan. That meant that the repayments increased by £100 a month – it would have been less if the term had remained at five years. However, that is still not a large increase, and Miss P continued to make her payments on time. Her bank account balance when she took the loan was over £2,200. Her credit score at the time was 543, and apart from the third loan with Amigo Loans she had no other open loans. She had had no defaults or court judgements in the last three years, and she had never been more than two months in arrears during that time (and she had never been late to pay Amigo Loans). The fourth loan was repaid early. So for all of these reasons I think that the fourth loan was affordable, even though it was for a shorter term than the third.

In January 2017 Miss P took out another loan with a third party. This was for £5,000 and was to be repaid over five years at £197 a month. She declared this loan when she applied for her seventh and eighth loans with Amigo Loans, and it was taken into account when her disposable income was calculated. As I have described above, these loans were still affordable, and still left her with some disposable income remaining after making her loan repayments.

I have considered Miss P's bank statements for the period during which she was a customer of Amigo Loans. I agree with the adjudicator that the statements do not suggest that Miss P had been experiencing financial difficulties as she describes. Nor did she tell Amigo Loans, when she applied for the loans, that she was struggling, or that she had a gambling addiction. She did not mention these matters until May 2017. It would therefore not be fair or reasonable to expect Amigo Loans to have known or suspected that she had these problems until then.

Once Miss P told Amigo Loans that her finances were not as robust as she had led it to believe, it reassessed them. On the basis of the new information she provided, it decided that her outgoings now exceeded her income, so she could not afford to make any repayments. I would not expect Amigo Loans to agree an unaffordable repayment plan. Instead it pursued the guarantor for payments, which it was entitled to do under the terms of the loan agreements. (The guarantor is not a party to this complaint, so I am not going to consider Amigo Loans's refusal of Miss P's request to discharge him from his liability.)

For all of these reasons, I do not think that Amigo Loans has done anything wrong.

### **my final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 30 November 2017.

Richard Wood  
**ombudsman**