

complaint

Mr C complains that Active Securities Limited (trading as 24/7 Moneybox) was irresponsible in its lending to him.

background

Mr C took out numerous loans with 24/7 Moneybox between 2012 and 2016. He says that the lending was irresponsible.

24/7 Moneybox says that before providing each loan affordability checks were carried out. It provided information regarding the income and expenditure amounts Mr C provided which it used to assess his disposable income and says that it lent a maximum of 45% of Mr C's free cash flow. It also provided copies of credit checks carried out at various points through the period of Mr C's borrowing.

24/7 Moneybox did not uphold Mr C's complaint in regard to his loans but, in its final response letter offered to provide him with a goodwill credit of £700 in recognition of the inconvenience caused and Mr C's dissatisfaction. It also offered to remove all negative reporting from his credit file.

Our adjudicator partially upheld this complaint. He did not think that the checks carried out before the loans were provided were sufficient. He said that had further checks been carried out 24/7 Moneybox would have realised that loan five and loans seven to 48 were not sustainably affordable.

24/7 Moneybox did not provide a full response to our adjudicator's view but noted that the Financial Conduct Authority did not consider repeat borrowing and multiple borrowing in itself harmful. It said that repeat borrowing can be useful in managing cyclical income shortfalls.

my provisional conclusions

I issued a provisional decision on this complaint. I concluded in summary:

- Mr C took out 48 loans with 24/7 Moneybox.
- 24/7 Moneybox said it carried out affordability checks before each loan including gathering information on Mr C's income and expenditure but I only saw evidence of this in regard to the loans taken out between June 2013 and September 2015. Because information was not provided for the other loans I could not say the checks were sufficient;
- although information was provided for some of the loans, given Mr C's frequency of borrowing and the increasing amounts he was borrowing I thought that 24/7 Moneybox should have carried out a full review of Mr C's financial circumstances before providing loan four and subsequent loans;
- based on the information I saw, I thought it reasonable that Mr C was provided with the first three loans;

- had a full review of Mr C's financial situation been carried out before the fourth loan was provided I thought that 24/7 Moneybox would have realised that Mr C was spending large amounts on gambling and that the loan was not affordable;
- loans five to twelve were all for amounts of £400 or over. Mr C continued to spend substantial amounts on gambling resulting in his outgoings being higher than his income in most months. A further credit check was carried out in March 2013 and the number of defaults recorded in the previous 12 months had increased to five. Had a full review of Mr C's financial review been carried out before these loans were provided I thought 24/7 Moneybox would have realised the loans were not sustainably affordable to Mr C;
- Mr C continued to borrow from 24/7 Moneybox. Given the amount of loans Mr C took out and the frequency of his borrowing I thought it reasonable that 24/7 Moneybox would have been concerned about his reliance on the loans. Mr C continued to spend substantial amounts on gambling throughout the period of the loans and I thought that had 24/7 Moneybox carried out thorough checks to assess Mr C's financial situation it would have realised these loans were not sustainably affordable.

Mr C accepted my provisional decision.

24/7 Moneybox provided further information about the affordability checks it carried out on the later loans (from December 2015 to July 2016) and also details of its credit checks.

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 agreeing to lend to Mr C, 24/7 Moneybox had to make sure, each time that the loans were affordable. Affordability checks should be proportionate. What is proportionate depends on things like - but not limited to - the size of the loan, the repayments, what 24/7 Moneybox knew about Mr C, and the things he told it about his circumstances.

As I set out in my provisional decision, I thought that a full review of Mr C's financial circumstances should have taken place before loan four and subsequent loans were provided. I have looked at the additional information that has been provided in response to my provisional decision but this does not change my thoughts on the checks that should have taken place. As I found that a full review of Mr C's financial circumstances would have shown loans four to 48 were not sustainably affordable, my decision remains that the interest and charges on these loans should be refunded.

my final decision

My final decision is that I uphold this complaint in regard to loans four to 48. Active Securities Limited (trading as 24/7 Moneybox) should:

- refund all interest and charges that Mr C paid on loans four to 48 inclusive;
- pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- remove any negative information about loans four to 48 from Mr C's credit file. (I note 24/7 Moneybox offered to do this for all the loans in its final response to Mr C).

*HM Revenue & Customs requires 24/7 Moneybox to take off tax from this interest.
24/7 Moneybox must give Mr C a certificate showing how much tax it's taken off if he asks for one.

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

Jane Archer
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