

complaint

Mr R complains that Instant Cash Loans Limited (trading as moneyshop.co.uk) was irresponsible to lend to him.

background

Mr R applied for a six-month instalment loan from The Money Shop on 1 February 2017. He borrowed £650 which was to be repaid in six instalments of £167.43. Mr R paid four instalments and then repaid the balance of the loan on 14 June 2017. But Mr R says this was unaffordable to him and caused him to get into further financial difficulties. Mr R says if The Money Shop had carried out better checks, it would have seen that he'd repaid credit of over £2,100 in January 2017 and almost £3,750 in February 2017. He says the February payment was higher than his monthly income. In addition to repaying other short-term loan providers, Mr R says he had reached his limit on three credit cards, as well as his overdraft, and had a significant gambling problem. Mr R says that if The Money Shop had done better checks, including looking at his credit file, it would have seen he was in financial difficulties and was borrowing from other short-term lenders, including another loan from a separate trading arm of Instant Cash Loans.

The Money Shop says it asked Mr R about his income and checked his credit file before it approved his loan. It said it wasn't concerned by any issues with other lenders and that Mr R declared a monthly income of £3,850. It said, on that basis, it was satisfied the loan was affordable.

Our adjudicator did not recommend the complaint should be upheld. She considers The Money Shop had done enough checks and that, based on the information it had, it was reasonable for it to have approved the loan.

Mr R responded to say, in summary, that he felt The Money Shop should have carried out further checks before making its lending 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.

The Money Shop was required to lend responsibly. It should have made checks to make sure Mr R could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr R was borrowing, and his lending history. But there was no set list of checks The Money Shop had to do.

When Mr R applied for his loan The Money Shop carried out a credit check and asked Mr R for information about his monthly income. As Mr R's scheduled repayments were a very small proportion of this self-declared income, I don't consider The Money Shop needed to do any further checks before it approved the loan.

I accept what Mr R says about his financial circumstances just prior to taking out the loan with The Money Shop, but I consider the checks that were carried out at the time were proportionate. I say that because it was Mr R's first loan from The Money Shop and I'm satisfied it was entitled to rely on the information provided by Mr R about his income.

I acknowledge Mr R says he had another short-term loan with another trading arm of Instant Cash Loans, but this loan was taken out after The Money Shop loan had been repaid so could not have affected The Money Shop's lending decision.

So, in summary, although I accept Mr R was in financial difficulties, I find the checks carried out by The Money Shop were reasonable given this was Mr R's first loan with it.

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 Mr R to accept or reject my decision before 23 November 2018.

Amanda Williams
ombudsman