

## **complaint**

Mr D complains that Ferratum UK Ltd gave him unaffordable payday loans. He wants a refund of all interest and charges and for the remaining capital balance to be written off.

## **background**

Mr D had six loans from Ferratum taken out between September 2016 and August 2017. He thought Ferratum hadn't carried out appropriate affordability checks and it should've seen from his borrowing and repayment history that he was struggling and he had a gambling problem. Ferratum said that it had carried out a credit check. It said its affordability checks were proportionate. However, as a gesture of goodwill, it offered to refund Mr D all the interest and charges he had paid on the loans and apply the refund to the outstanding balance on the final loan. Mr D was unhappy with this and in particular wanted the capital written off.

Our adjudicator thought that the offer made by Ferratum was fair and reasonable. She thought Ferratum's approach was in line with the guidelines we've set out and she couldn't ask it to do any more.

Mr D didn't agree and said that it was clear that he was in difficulty and Ferratum would have seen this if it had done better checks. He said that the lending has caused him significant health and financial problems which he is still dealing with. Mr D said that there were defaults on his credit file and other complaints of irresponsible lending have been upheld.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

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

Ferratum said it carried out a credit check for the loan and it asked Mr D for his monthly income. This was £1251 per month. Mr D was borrowing £100 for loan one. The amount that Mr D was borrowing was low compared to his stated monthly income. But I do think that Ferratum should have asked about Mr D's outgoings to check he could afford the repayment. There was nothing of concern in Mr D's credit check although Ferratum may not have had access to Mr D's full credit information at this time.

Mr D borrowed sequentially with increasing amounts for loans 2 and 3. At the point of loan 3 and 4 Mr D was by now a regular monthly borrower which might indicate that he was reliant on short term credit. I can't see that Ferratum asked Mr D anything about his normal monthly living costs for these loans to check he could afford to pay them back.

For these loans I think Ferratum's checks weren't enough given Mr D's borrowing history. I can't be sure what he would have said about his monthly outgoings if he had been asked but I think it is unlikely that he would have disclosed his gambling problem.

There was then a significant gap of a number of months before Mr D applied for his fifth loan of £90. There had been no problems with repaying the previous loans and this was a small

amount compared to Mr D's declared income of £1251. I think it was reasonable, given the time that had passed for Ferratum to rely on what he said about his income and as this was a new loan following a significant gap I think that it was reasonable for Ferratum to conclude that any difficulties had passed.

Mr D took out his final loan for £400 which was the most he had borrowed to date and was a significant proportion of his income. I think that Ferratum should have asked Mr D about his monthly outgoings and checked whether he had any short term lending.

I think better checks may have resulted in Ferratum not offering some of the loans but not all of the loans. However, Ferratum has offered to refund interest and charges on all of the loans and use the refund to reduce the outstanding balance on the last loan. I think that this is fair and reasonable and over and above what I would ask it to do.

I can understand why Mr D would like the outstanding balance written off and I appreciate that the debt is causing him difficulty. But Mr D has had the benefit of the money and so I think it is only fair that he pays it back. If he is unable to repay it in a lump sum I would expect Ferratum to work with Mr D to arrange an affordable repayment plan.

There is no adverse information recorded for loans 1-5 on Mr D's credit report and so I don't think it is fair to ask Ferratum to remove the loans from the file as this would give a misleading picture to future lenders.

With regard to loan 6 I think it is fair for the loan to be marked as settled once the outstanding balance is repaid.

### **my final decision**

My final decision is that the offer made by Ferratum UK Ltd is fair and reasonable and I'm not asking the business to do any more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 18 July 2019.

Emma Boothroyd  
**ombudsman**