

complaint

Mr N has complained about short-term loans granted to him by Ecashwindow Ltd.

background

Ecashwindow agreed five short-term loans for Mr N over the period July 2011 to May 2013. Mr N says these loans were unaffordable for him and that Ecashwindow would have known that and should not have lent to him.

One of our adjudicators has looked into Mr N's complaint already. He recommended that it be upheld and that Ecashwindow refund the interest and charges Mr N paid on all his loans.

Mr N accepted this recommendation but Ecashwindow disagreed with it. It did offer Mr N compensation of £250, which Mr N declined. And so the complaint has come to an ombudsman for a final 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. I have also taken into account the law, any relevant regulatory rules and good industry practice at the time.

In making this decision I have considered whether or not Ecashwindow did everything it should have when assessing Mr N's loan applications. And following on from this whether any assessment failings resulted in Ecashwindow agreeing to lend to Mr N when it should reasonably have known that he would find it difficult to repay.

Our adjudicator's view was that Ecashwindow didn't carry out proportionate checks for Mr N's loans and these loans were unaffordable for him. Having considered everything, I agree with our adjudicator and am upholding Mr N's complaint. I appreciate this will be disappointing for Ecashwindow but I hope my explanation makes it clear why I have reached this conclusion.

Ecashwindow says that it lent responsibly to Mr N and carried out checks on his creditworthiness and his ability to repay its loans. It says it asked about Mr N's income and would have viewed copies of his bank statements as this has always been company policy. I appreciate that several years have passed since Ecashwindow lent to Mr N, but it hasn't provided any records of the results of these checks.

I could accept that Ecashwindow carried out checks as it says. However, carrying out checks is not of itself enough. It may be, for example, that these checks revealed Mr N might have difficulty repaying his loans or that further investigation was required. Ecashwindow hasn't told us how it used the resulting information from the checks it says it carried out. And so I can't be sure that Ecashwindow did enough in this case to check whether its loans would be affordable for Mr N.

Mr N has supplied this service with copies of his bank statements for the period in question. Ecashwindow has queried whether we can be confident that these statements relate to the same bank account that Mr N tendered at the time of the application. I am satisfied that this was Mr N's main account at the time as I can see his salary deposits into it and his loan deposits (complete with loan references) from Ecashwindow.

Mr N's bank statements show that his long-term and short-term loan repayments came to almost or more than his monthly wages in the three months preceding his first loan with Ecashwindow in July 2011. His circumstances hadn't improved when he came to borrow his second loan in July 2012. That June alone he'd repaid almost £2,000 to short-term lenders and had borrowed over £5,500. This continued throughout 2012, for example Mr N repaid almost £8,500 to short-term lenders in September and borrowed over £4,500 in October. He borrowed his third loan from Ecashwindow that November. Mr N extended both his second and third loans a number of times.

In 2013 Mr N borrowed twice from Ecashwindow – once in January and again in May, a few days after repaying his January loan. He'd extended this loan three times and arranged a repayment plan for his last loan, eventually paying it off in early 2014. He'd continued to borrow heavily from short-term lenders throughout this period, repaying about £2,500 in December 2012 and £5,500 in April 2013.

Mr N's financial circumstances fluctuated over the time he borrowed from Ecashwindow. I can see from his bank statements that Mr N had a large deposit into his account in February 2012, which I understand was from a property sale. And he also received a large refund in September of that year, which appears to be from gambling funds. However, Mr N was spending regularly on gambling at a level which far exceeded his means and, it seems to me, eroded any additional capital he may have acquired.

Had Ecashwindow carried out the checks it says it did, it would have seen, as I have, that Mr N was not managing to meet his existing credit commitments in a sustainable manner. It would have known that he would not be able to repay its loans sustainably either and that lending to him would be irresponsible. And so I think Ecashwindow should not have agreed any loans for Mr N.

In order to put this right, Ecashwindow should:

- refund all interest and charges for all five of Mr N's loans agreed in the period July 2011 to May 2013.
- pay interest on these refunds at 8% simple* per year from the dates of payment to the dates of settlement.
- remove any adverse information about these loans from Mr N's credit file.

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

my final decision

For the reasons set out above, I uphold this complaint and direct Ecashwindow Ltd to pay Mr N compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 21 November 2016.

Michelle Boundy
ombudsman