

complaint

Mr D complains that Uncle Buck Finance LLP gave him unaffordable payday loans.

background

Mr D had six loans from Uncle Buck between February and November 2015. He said he was borrowing increasing amounts to cover previous loans and these made his financial situation worse. Uncle Buck said that the loans were affordable based on the information provided by Mr D.

Our adjudicator recommended that the complaint should be upheld in part. She thought Uncle Buck's affordability checks went far enough for loans one to four, but not thereafter. She thought that if it had made better checks, it would have seen that Mr D could afford loan five but not loan six, due to his gambling. So she thought Uncle Buck had been wrong to approve loan six. She thought it should refund Mr D's interest and charges for loan six, with interest, and remove related adverse information from his credit file.

Uncle Buck replied that it would still have lent to Mr D if it had seen he was gambling his disposable income after paying his priority bills.

my findings

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

Mr D first borrowed £100, to be repaid in three monthly instalments of £50.28. Loan two was for £150 and Mr D had to repay £176.40 with interest. Loan three was for £425 (£527 with interest). Loan four was for £400 to be repaid in three instalments of £201.50. Loan five was also for £400 to be repaid in three instalments of £185.03. Mr D's last loan was also for £400 to be repaid in three monthly instalments of £173.22. Mr D repaid all his loans.

Uncle Buck was required to lend responsibly. It should have made checks to make sure that Mr D could afford to repay the loans 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 Uncle Buck had to do.

Uncle Buck said it checked Mr D's creditworthiness. It also asked him for his monthly income and expenditure. He said his income was £2,850 and his expenditure ranged between £2,600 and £1,210.

I agree with the adjudicator that these checks were proportionate and sufficient for loans one to four. The amounts appeared affordable compared to Mr D's stated disposable income. Uncle Buck asked Mr D about his other commitments as well as his normal living expenses. So I can't say Uncle Buck was wrong to approve these four loans.

When Mr D asked for his fifth loan in succession, I think Uncle Buck should have looked more closely at his circumstances. I think it should have verified what he'd told it to check that he could afford his loan and that he wasn't dependent on short-term lending.

I've looked at Mr D's bank statements from the time to get this information, but Uncle Buck could easily have asked Mr D for it. I can see that Mr D had been accurate about his income.

And he had sufficient disposable income to repay his loan. So I think that if Uncle Buck had made better checks, it would have seen that Mr D could afford this loan. So I can't say it was wrong to approve it.

I think Uncle Buck should have made the same checks for loan six. I think that if it had, it would have seen, as I have, that Mr D was now spending a large amount on gambling. This, with his other short-term loan commitments and normal living costs, made loan six unaffordable.

I think that, as a responsible lender, if Uncle Buck had seen the extent of Mr D's gambling it would have declined further loans. So I think Uncle Buck was wrong to approve loan six.

my final decision

My final decision is that I uphold this complaint in part. I require Uncle Buck Finance LLP to do the following:

1. Refund Mr D the interest and charges he paid for loan six, adding interest at 8% simple per annum from the date of payment to the date of settlement.
2. HM Revenue & Customs requires Uncle Buck to withhold income tax from that interest. It must give Mr D a certificate showing how much it's taken off if he asks for one.
3. Remove any adverse information relating to this loan from Mr D's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 15 February 2018.

Phillip Berechree
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