

## complaint

Mr W complains that DJS (UK) Limited, trading as PiggyBank, was irresponsible to give him a loan at a time when his debts were mounting up due to a gambling addiction. He is also concerned that PiggyBank keeps contacting him about the repayment of the debt and he feels its actions to be harassment.

## background

Mr W borrowed twice from PiggyBank, first in November 2016 and then again in January 2018, as follows:

loan number	date taken	amount borrowed	repayment terms	repaid
1	November 2016	£550	5 x £189.29	30 November 2016
2	January 2018	£300	3 x £140.80	outstanding

Mr W says that PiggyBank was irresponsible to give him the loans. He had a gambling addiction and used the money solely for this purpose. He is also concerned that PiggyBank turned him down for a loan in September 2015 but then later agreed to provide a loan. He has struggled to repay loan two.

PiggyBank says that each time Mr W asked to borrow it asked him about his monthly income and normal living costs and carried out employment and credit checks. Based on the checks and the information Mr W provided to it, PiggyBank concluded that the loans were affordable.

PiggyBank accepts that Mr W had asked to withdraw from the second loan within the 14 day cooling off period. It asked him to return the principal amount within 30 days and cancelled the repayments. But it accepts it didn't mark his account as cancelled and so it wrongly sent arrears letters. Although Mr W still hasn't repaid the amount he borrowed, it offered, as a gesture of goodwill, for him to repay the capital only within 14 days. If he wasn't able to do that, it said it would help him set up a repayment plan.

The adjudicator didn't think that this complaint should be upheld. She felt that the checks that PiggyBank did before agreeing each loan went far enough and, based on the information Mr W provided, he had enough disposable income to meet the repayments. She also thought that PiggyBank's offer for repayment of the £300 capital sum and to write off the interest was fair.

Mr W disagreed. He said, in summary, that he didn't think his credit score was good enough, he had his second loan request declined only for it to then be immediately accepted through a broker, and too much emphasis was placed on the income and expenditure information he gave to PiggyBank.

## my findings

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

With regard to the loans PiggyBank provided, it was required to lend responsibly. It needed to make checks to see whether Mr W could afford to pay back each loan without it adversely impacting on his financial situation. It had to gather enough information so that it could make an informed decision on the lending.

The guidance and rules don't set out compulsory checks but they do list a number of things a lender might wish to take into account before agreeing to lend. But checks should be proportionate and should take into account a number of things, including things such as the size of the loan, what the lender knows about the consumer, what the consumer tells the lender about their circumstances and when what's being borrowed is due to be repaid.

Mr W was given loans where there was an expectation he'd repay what he'd borrowed plus the interest due over different timescales. As a result, the checks PiggyBank carried out had to provide enough for it to be able to understand whether Mr W could afford to make all of those repayments when they fell due.

PiggyBank has told us that it asked Mr W each time about his monthly income and normal expenditure before agreeing to lend to him. It relied on the information he gave to it. It also carried out employment and credit checks, which it also used to examine his other credit commitments.

#### 2015

Mr W applied for a loan in September 2015. PiggyBank has told us that it wasn't able to agree the loan at that time because it couldn't verify Mr W's personal details.

#### 2016

When Mr W applied for the loan in November 2016, PiggyBank asked him about his monthly income and normal living costs. It did a credit check and asked to see a copy of Mr W's payslip.

Mr W told PiggyBank that he was earning £2,600, although the payslip showed his income as over £2,800. He also told PiggyBank that his living costs were £840 and regular monthly credit commitments totalled £109.

After checking Mr W's credit report, PiggyBank thought that Mr W had other credit commitments, so it recorded his total monthly living costs and credit commitments as £1,654. This left Mr W with a disposable income of more than £1,000 from which to make the monthly payments of £190.

As this was the first loan that Mr W had received from PiggyBank, I think it was entitled to rely on the information that he gave to it, together with the additional checks it did to verify his financial situation. So given the size of the loan and the amount of the repayments in relation to Mr W's income I think the checks PiggyBank did for this loan went far enough and it wasn't wrong to conclude that it was affordable.

#### 2018

Mr W visited a comparison website (broker) before he applied for the loan in January 2018 but the application was made directly through PiggyBank's website and not via the broker. Mr W again told PiggyBank that he was earning £2,600 per month and he had monthly living costs and regular commitments totalling £1,770. PiggyBank asked Mr W to send it a copy of his payslip, which showed his income was more than £2,800.

PiggyBank also carried out a credit check and it used this to check Mr W's other credit commitments. Mr W says that there had been numerous defaults on other loans before he took out the one with PiggyBank. I have looked carefully at the credit check it did and also the one that Mr W's provided. Neither of the reports show that Mr W had any delinquent or defaulted loans and there weren't any county court judgements. Whilst he had been behind

by a month or two with monthly repayments on his credit card, the payments were up to date when he applied for the PiggyBank loan. So I don't think the credit reports showed anything of concern that meant PiggyBank should do any further checks.

PiggyBank did find that Mr W's other credit commitments were almost £250 higher than he had declared. Taking this into account it meant that he had disposable income of more than £600 per month. As the loan repayments were £140.80 per month, I don't think it was wrong for PiggyBank to conclude this loan was affordable.

Mr W has suggested that he was a desperate person who felt he had little choice but to use a payday loan company so he may have exaggerated his expenditure details in order to obtain the loan. Whilst I accept that Mr W's actual circumstances may not have been accurately reflected in the information he provided to PiggyBank I find it could only base its decision to lend on the information it had available to it at the time. And it didn't have any reason to disbelieve or doubt what Mr W declared, so I don't think PiggyBank needed to verify the information that Mr W had given any further than it already had.

I think the checks PiggyBank did before giving Mr W his loans went far enough and I'm not persuaded that they needed to go any further. I don't think it was wrong for PiggyBank to conclude that the loans were affordable and to lend to Mr W.

#### *harassment*

PiggyBank has accepted that it sent arrears letters sooner than it should have done. Mr W told it that he was withdrawing from the loan. PiggyBank gave him 30 days to repay but it sent arrears letters before this. But I'm satisfied the 30 days to repay the capital has now expired and Mr W has still not repaid the debt. When payments are not made on time or are missed, I consider PiggyBank is entitled to try to contact Mr W to chase the amount due.

Having carefully considered all that has happened, I think PiggyBank's offer to write off the interest and accept repayment of £300 within 30 days is reasonable. I leave it to him to decide, upon reflection, if he wants to accept PiggyBank's offer. If Mr W isn't able to repay this within 30 days of my decision then, if he hasn't already done so, I would urge him to contact PiggyBank to discuss a mutually acceptable repayment plan. I would remind PiggyBank that it has an ongoing duty to treat someone who is experiencing financial difficulties positively and sympathetically.

#### **my final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 16 November 2018.

Karen Wharton  
**ombudsman**