

complaint

Mr F has complained about short-term loans granted to him by Active Securities Limited, trading as 247moneybox.com ("247 moneybox"). Mr F says he couldn't afford these loans and that 247 moneybox didn't take appropriate steps to check whether he could afford them when he took them out.

background

247 Moneybox agreed 15 short-term loans for Mr F between May 2016 and June 2017. The loans ranged from £80 to £300 and were generally repayable within around a month from being taken out. I've set out a summary of lending below.

loan no.	application	principal amount (£)	approximate repayment due (£)
1	17/05/2016	80	92
2	17/06/2016	125	168
3	04/08/2016	150	184
4	02/09/2016	125	154
5	14/10/2016	175	182
6	11/11/2016	80	81
7	16/11/2016	125	140
8	05/12/2016	125	142
9	29/12/2016	80	101
10	10/02/2017	80	92
11	09/03/2017	150	178
12	31/03/2017	250	252
13	07/04/2017	200	235
14	11/05/2017	175	204
15	08/06/2017	300	355

One of our adjudicators has looked into Mr F's complaint already and recommended the complaint be upheld in part. The adjudicator felt the checks 247 moneybox carried out for loans 5 – 15 weren't proportionate. And thought that had it carried out proportionate checks, it would've realised these loans would've been unaffordable for Mr F, and therefore would not have agreed to them.

In response to the view, Mr F agreed to the adjudicator's findings, but 247 moneybox didn't respond. So as no agreement has been reached at this stage, the case has been passed to me for a decision.

As Mr F has accepted the adjudicator's findings regarding loans 1 – 4, my decision will focus on the remaining loans in question, loans 5 – 15.

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've also taken into account the law, any relevant regulatory rules and good industry practice at the time.

The Financial Conduct Authority was the regulator at the time Mr F took out loans 5 – 15. Its regulations for lenders are set out in its consumer credit sourcebook (generally referred to as “CONC”). These regulations require lenders to take “*reasonable steps to assess the customer’s ability to meet repayments under a regulated credit agreement in a sustainable manner without the customer incurring financial difficulties or experiencing significant adverse consequences.*” - CONC 5.3.1(2).

CONC 5.3.1(7) defines ‘sustainable’ as being able to make repayments without undue difficulty. And explains that this means borrowers should be able to make their repayments on time and out of their income and savings without having to borrow to meet these repayments.

In making this decision I’ve considered whether or not 247 moneybox did everything it should’ve when assessing Mr F’s loan applications. And if it didn’t, had it done further checks, whether it would’ve realised these loans may have been unaffordable for him.

Having reviewed the case, I agree with the adjudicator’s findings. I don’t think the checks 247 moneybox carried out were proportionate when it agreed to loans 5 – 15. And I think that had it carried out proportionate checks, it would’ve concluded these loans would’ve been unaffordable for Mr F, and wouldn’t have agreed to them.

So I’m upholding Mr F’s complaint in part, and for the same reasons as our adjudicator did, and directing 247 moneybox to put things right in the way he recommended. I appreciate this will be a disappointing outcome for 247 moneybox, but I hope my explanation will make it clear as to why I’ve reached this conclusion.

247 moneybox said it carried out proportionate checks when it agreed to loans 5 – 15 for Mr F. It said these checks included taking an income and expenditure declaration from him at the point of each application to calculate his free cash flow (disposable income). And that it then built in a 55% buffer, so that it only lent up to 45% of this figure, to allow for a margin of error. It also said that Mr F confirmed at every point he drew down funds, that he had no other high cost short-term credit, and that all information he provided was accurate.

247 moneybox has also said - that from loan 3 onwards, its checks went further again. And said that in addition to the above, it made enquiries into things like, but not limited to; whether he’d entered an IVA; been declared bankrupt; and what his current level of indebtedness was. It also said it confirmed Mr F’s employment, and ensured his credit score met its minimum threshold for approval. So I’ve considered this when deciding this case.

When Mr F took out loan 5, he’d been borrowing from 247 moneybox for around five months. And where he had initially borrowed just £80, he was now applying for a loan of £175, which was more than twice the amount of his initial application.

The type of loans Mr F had been taking from 247 moneybox were intended to be used on a short-term basis. So given this was now his fifth application, I think by this point, 247 moneybox should’ve started to become concerned about Mr F’s possible reliance on this type of lending, and should’ve carried out further checks from this point on.

I think, in addition to the checks 247 moneybox has told us it carried out, I think from loan 5 onwards, it should’ve built a full picture of Mr F’s financial circumstances, and verified the information it was given, to be confident in his ability to meet his repayments in a sustainable

manner. So I don't think the checks 247 moneybox carried out from loan 5 onwards were proportionate.

Mr F's provided bank statements from around the time he applied for loans 5 – 15. So I've looked at these, and all other evidence available, to work out what I think 247 moneybox would've found out, had it carried out proportionate checks at the time of his applications.

Having done so, I can see that when Mr F took out loan 5, 247 money box recorded; his monthly income as £1,687; his living expenses at around £420; and his total monthly credit commitments at around £200.

Mr F's bank statements seem to support the fact that he was earning around the £1,680 mark a month. And his monthly living expenses appear to also be in the same region as the above figures he's declared, at around £420.

But his credit commitments from around the time of his application for loan 5, appear to have been considerably higher than the figure 247 moneybox has recorded. And I can see that in the month leading up taking out loan 5, Mr F borrowed around £960 from other short-term lenders, which was due to be repaid after he took out his loan with 247 moneybox.

Not only did Mr F have a considerable amount of outstanding short-term credit at the time he applied for loan 5, but had 247 moneybox carried out a full review of his financial circumstances, it would've also seen he was spending over £1,000 a month on online gambling and gaming sites.

So a full review of his finances would've shown 247 moneybox that Mr F's current monthly outgoings already exceeded his monthly income, and he was not in a position to service any further debt repayments at this time. And as a responsible lender, having seen this, I don't think it would've agreed to this loan.

Mr F went on to take out a further 10 loans between November 2016 and June 2017, borrowing amounts ranging from £80 to £300. And throughout this time, his financial situation remained fairly similar to when he took out loan 5.

His income, although it fluctuated up and down at times, generally remained around the £1,650 mark. Albeit at times, was as high as around £1,900, and in other months, as low as £1,430. And his living costs generally remained the same, at around £420.

But throughout this time, Mr F continued to spend large amounts of money on gambling each month. For instance, in the months leading up to taking out his final two loans, his monthly take home pay was around £1,600, yet he'd spent around £1,400 of this on online gambling sites, plus nearly another £5,000 to an e-money provider.

On the above figures alone, Mr F was already paying out around four times his monthly income on e-money sites and gambling. And this is before I look at his outstanding credit and short-term lending commitments, which look to be in the region of 1,000 a month throughout this period.

So I think had 247 moneybox carried out proportionate checks when Mr F applied for these loans, it would've seen he had no income available after his living expenses and the money he'd spent on gambling, to service his current credit commitments, which were sizeable, let alone be in a position to repay any further monies.

So in summary, I don't think the checks 247 moneybox carried out when Mr F applied for loans 5 – 15 were proportionate. And I think had 247 moneybox carried out proportionate checks for each of Mr F's applications, it would've seen these loans would've been clearly unaffordable for Mr F, and as a responsible lender, I'm confident would not have lent to him.

what 247 moneybox should do to put things right

For the reasons outlined above, I don't think 247 moneybox should've agreed to loans 5 – 15 for Mr F. So it needs to refund all of the interest and charges Mr F paid on these loans.

Specifically, it should:

- refund the interest and charges paid for the loans it agreed between October 2016 and June 2017
- pay interest on these refunds at 8% simple from the date of payment to the date of settlement
- remove any adverse information about these loans from Mr F's credit file

*HM Revenue & Customs requires 247 moneybox to take off tax from this interest. 247 moneybox must give Mr F 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 Mr F's complaint in part.

And I require Active Securities Limited, trading as 247moneybox.com to put things right as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 23 December 2018.

Brad Mcilquham
ombudsman