

complaint

Mr M complains that TFS Loans Limited (TFS) shouldn't have granted him a loan as it was unaffordable. He's also unhappy about the amount he's been repaying on the loan and the amount of interest.

background

Mr M took out a loan with TFS in January 2014 for the sum of £3,500. The total to be paid was £6827.40 over 36 months at £189.65 per month. But Mr M says that TFS were wrong to lend him the money as he couldn't afford the repayments and he was struggling with a gambling addiction.

TFS said that they checked MR M's income and outgoings. They had sight of Mr M's bank statements and these showed he received a salary of £2000 a month. After they'd deducted the monthly commitments they found during a credit search, they noted there would be nearly £1500 a month left for Mr M to pay his rent and every day living expenses and as Mr M had told them this was about £300, and he'd said he was using his loan to pay off outstanding debts that totalled £800, they concluded the loan of £189 was affordable.

But Mr M didn't agree and he passed his complaint to this service. Our adjudicator thought TFS had done enough to assess whether Mr M could afford the loan repayments and she noted that TFS weren't aware of Mr M's gambling problems. But Mr M disagreed. He asked for this review and he also said he thought he was paying too much for the loan.

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 know it's not what Mr M wanted to hear but I agree with the adjudicator's view on this complaint and for the same reasons.

I think TFS performed reasonable and proportionate checks to assure themselves that Mr M was able to repay the loan he was applying for. They checked with the credit reference agency and identified other borrowings and they made sensible enquiries to clarify that Mr M's income was what he said it was. The disposable income they calculated suggested that the repayments would have been manageable. So I don't think they were irresponsible to lend Mr M what they did and I note that, since he's been having problems paying, they have been sympathetic and allowed him to make reduced payments.

I've also looked at the charges TFS have applied. I can see that the terms have been set out clearly and explain that Mr M would need to pay a total of £6827.40 to pay off his loan at an APR of 63.5%. TFS also explain the interest and charges that will apply so I think they had made the details of the agreement clear to Mr M.

I think the interest rate reflected TFS's perception of the risk involved in lending Mr M the money. That is an exercise of its legitimate commercial judgment and not something I can reasonably interfere in. I'd expect a loan that required a guarantor to be one that carried a higher degree of risk to the lender and, having clearly explained the requirements to Mr M, I don't think TFS mislead him and I won't be asking them to take any further action.

my final decision

For the reasons I've given above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 24 August 2017.

Phil McMahon
ombudsman