

complaint

Mr P complains that Novaloans Ltd (trading as CASH4UNOW.CO.UK) lent him money that he couldn't afford to repay.

background

Mr P took out one loan with CASH4UNOW in August 2017. He was due to repay the £400 loan by six monthly instalments of about £115.

Mr P thinks that if CASH4UNOW had carried out better checks, it would've seen that he had a significant gambling habit which would've prevented CASH4UNOW from agreeing to lend.

CASH4UNOW says that Mr P told it that his net monthly income was £1,300 with monthly outgoings of £723.

The adjudicator recommended that Mr P's complaint be upheld. He thought that although it appeared that Mr P had enough disposable income to afford the loan, CASH4UNOW should've realised that the zero figure Mr P gave for loans and payday loans wasn't accurate. The adjudicator thought that with better checks, CASH4UNOW would've discovered that Mr P owed £650 to other payday lenders making the loan unaffordable.

CASH4UNOW did not accept the adjudicator's view. It said that the credit search it carried out didn't show any outstanding payday loans. CASH4UNOW said that it would've expected to see significantly more payday lending use where a customer was gambling heavily.

CASH4UNOW said that although the credit search did show an outstanding loan balance of over £12,600, after making his monthly payments to CASH4UNOW, Mr P would've still been left with more than £462 for other loan payments. So CASH4UNOW said it did take account of the information it saw in Mr P's credit file.

my provisional findings

After considering all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint, I was minded not to uphold this complaint. I issued my provisional decision on 3 December 2018.

Before agreeing to lend to Mr P, CASH4UNOW had to make sure that he could afford to repay the loan. Affordability checks should be proportionate. What is proportionate depends on things like – but not limited to – the size of the loan, the repayments, what CASH4UNOW knew about Mr P, and the things he told it about his circumstances.

This was Mr P's first loan and the monthly repayments represented a fairly modest proportion of his declared monthly income. CASH4UNOW asked Mr P for details of his living costs and credit commitments, including payday loans. CASH4UNOW's records showed that Mr P didn't put anything down for loans or payday loans.

CASH4UNOW'S credit check didn't show any outstanding payday loans and there wasn't any record of Mr P applying for one in the previous 12 months. So I didn't think that CASH4UNOW had any reason to press Mr P for further details of his other payday loans.

I agreed that the credit check result for outstanding loan or loans was at odds with the zero figure that Mr P gave to CASH4UNOW. I thought this discrepancy should've prompted CASH4UNOW to ask a few more questions about Mr P's regular credit commitments.

Just because I didn't consider a lender carried out adequate checks didn't necessarily mean that I must uphold the complaint. I would have needed to be satisfied that what I consider to have been proportionate checks would've shown CASH4UNOW that Mr P couldn't afford to repay the loan in a sustainable way – that is without borrowing further.

It seemed to me that the outstanding loan balance that CASH4UNOW identified on the credit search was likely to relate, in the main, to one of two loans. Either a loan that Mr P took out in February 2017 and then repaid a few weeks before taking out the CASH4UNOW loan. Or a loan that Mr P took out immediately on repaying the February 2017 loan. Both loans were with the same lender. The monthly repayments on the February 2017 loan were £208, rising to £238 for the August 2017 loan.

Even if added the highest of the loan repayments to Mr P's declared outgoings of £723, it would've still appeared that Mr P could afford the CASH4UNOW loan. So I didn't think better checks would've made a difference.

I wouldn't have expected CASH4UNOW to go as far as independently verifying the information Mr P gave by asking to see evidence such as bills or bank statements. This meant that CASH4UNOW couldn't have known about Mr P's gambling problem unless he'd mentioned it.

Overall, I didn't think that CASH4UNOW was wrong to lend to Mr P. So I didn't require it to pay him any compensation.

further submissions

Neither Mr P nor CASH4UNOW responded to my provisional decision.

my findings

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

As I haven't been asked to consider any new information by Mr P or CASH4UNOW it follows that I make my final decision along the same lines as my provisional decision. I'm sorry that this is likely to disappoint Mr P.

Mr P previously asked CASH4UNOW whether he could make reduced monthly payments due to financial difficulties. If Mr P hasn't done so already, I urge him to make contact with CASH4UNOW to try and agree a repayment plan. If Mr P does this, I expect CASH4UNOW to treat any proposals that he might put forward sympathetically and reasonably.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 7 February 2019.

Gemma Bowen
ombudsman