

complaint

Mr H complains that Canada Square Operations Limited (formerly known as CitiFinancial Europe Plc) lent to him irresponsibly.

background

In 2007 Mr H took out a loan with Canada Square for £10,000. In 2016 he complained, saying he shouldn't have been given the loan. This was because he was experiencing financial difficulties and was a compulsive gambler, so further borrowing made his position worse. He asked for a refund of the interest he'd paid on the loan.

Canada Square didn't think it'd done anything wrong. It said when Mr H had applied for the loan it had found that he could afford to pay it back. And it said most of the £10,000 was to repay Mr H's existing debts, meaning it only increased his overall borrowing by about £1,500.

Mr H brought the complaint to our service. One of our investigators looked into what had happened. He said, in summary, that he thought Canada Square had done enough to make sure Mr H could afford the loan, so he didn't think it'd done anything wrong.

Mr H didn't think this was a fair outcome. He said that if Canada Square had asked more probing questions around why he needed the loan, and had reviewed his current account statements, it wouldn't have lent to him.

An agreement couldn't be reached, so the complaint has been passed to me for a final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I agree with the conclusion our investigator reached, for the same reasons.

When lending money Canada Square should do so responsibly. It needs to carry out enquiries to make sure a customer can afford to repay what they borrow in a sustainable way.

Mr H's loan was for £10,000, repayable at about £250 a month for 60 months. And £8,500 of it was to repay existing borrowing.

Canada Square no longer has Mr H's application form. This is fairly common given the amount of time that's passed. But it has been able to show us some other documents from the time the loan was taken out.

From these I can see it had an income declaration from Mr H, showing he earned about £4,000 a month (after tax). It also had a copy of one of his payslips, which confirmed his salary. I've also seen a copy of one of Mr H's bank statements which shows his outgoings (and salary) – and there's no indication of gambling. So I'm satisfied that Canada Square took his income and expenditure into account when deciding if he could afford the repayments on the loan, and that it wasn't to know Mr H was experiencing financial difficulties, or was a compulsive gambler.

Canada Square has also shown that it completed a credit search. This contained information about Mr H's other accounts and gave him a risk rating of 'GOOD'. So I'm satisfied Mr H's debts - and account histories - were taken into account when Canada Square made its decision to lend to him.

I know Mr H feels strongly that Canada Square should've done more to check he could afford the loan repayments. But I think it did what it was expected to do, and from the information it had, I don't think there was enough for it to doubt that he could afford the loan repayments.

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 H to accept or reject my decision before 17 July 2017.

James Langford
ombudsman