

complaint

Mr D complains that DJS (UK) Limited (trading as Piggybank) lent to him irresponsibly.

background

Mr D took out an £800 instalment loan with Piggybank in September 2017. He says that had Piggybank carried out adequate checks it would not have lent to him. He says that at the time of the loan he had a gambling addiction and was taking out several payday loans which he spent mainly on gambling.

Mr D says that he was behind with his priority debts and he entered into a spiral of debt. He says that he wasn't asked to provide supporting documents before the loan was provided.

Piggybank says that it carried out an affordability check before lending to Mr D. It says he recorded income totalling £2,460 and living costs of £822. It then carried out a credit check and added any further expenses this showed to his calculation. It says that Mr D informed it he had credit commitments of £100. It says that based on its checks Mr D had a high disposable income. It says he completed the application confirming that there was nothing that would prevent him from being able to pay the loan back.

Piggybank did not accept that it had lent irresponsibly to Mr D.

Our adjudicator did not uphold this complaint. He thought that the checks carried out by Piggybank before the loan was provided were sufficient.

Mr D did not accept our adjudicator's view. He said that further information he provided after the initial view had not been taken into account and that he had received a different response on a similar case.

my findings

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

Before agreeing to lend to Mr D, Piggybank 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 Piggybank knew about Mr D and the things he told it about his circumstances.

I have looked at the information Piggybank gathered before it lent to Mr D. This included information on his income and expenses and carrying out a credit check. Mr D recorded his income as totalling £2,460 which included £460 of benefits. I appreciate Mr D's comments that he was not required to provide proof of his income but I also accept that it is reasonable that Piggybank should be able to rely on the information it is provided with.

Mr D provided information about his expenses. These included residential costs, bills and utilities, food, transport and recreation. These came to a total of £822 and I understand Mr D said he had other credit commitments of £100.

The loan was for £800 and repayable over five monthly instalments of around £285 per month. Based on the income and expenses information Mr D provided, Mr D's disposable income was sufficient to make the repayments.

Piggybank also checked Mr D's credit file. I have considered the information it received from this check and note that it does list a number of payday loans and other unsecured loans. While I would have expected this to have raised some concerns, I do not think that the credit file information raised sufficient concerns that would have meant Piggybank should have carried out a full review of Mr D's financial situation, such as looking through his bank statements, before lending to him.

I note that Piggybank says it uses the credit check to identify any commitments Mr D had and adds these to his calculations. It says Mr D said he had credit commitments of £100. Based on his credit file, I can see that he had an outstanding mortgage but I would expect that this cost would have been covered in his list of expenses as residential. He then had other credit commitments totalling around £9,000 (£300 credit card; £450 unsecured loan; £8,300 other) and an outstanding payday loan of £117. Assuming the payday loan was due the following month and payments were required towards his other credit commitments, I find this does support a higher amount than £100 being included as his cost of credit commitments.

However, as Mr D's disposable income based on the information he provided (excluding credit commitments) was around £1,600 I do not think that had Piggybank included a higher amount, it would have necessarily known the loan was not affordable.

I note the comments Mr D has made about the response he has received on another complaint. However, each complaint is considered on its individual merits. In this case, as this was Mr D's first loan with Piggybank and given the size of the repayments compared to Mr D's recorded income, I think that the checks carried out were sufficient.

As I do not think that Piggybank was required to carry out any further checks, I do not think it was required to look at Mr D's bank statements. I can see these show Mr D's gambling but as Piggybank were not aware of this at the time the loan was provided, I do not think it acted unreasonably by providing the loan.

my final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 26 February 2018.

Jane Archer
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