

complaint

Mr S complains that Active Securities Limited trading as 24/7 Moneybox (Moneybox) wrongly lent him money he couldn't afford to pay back. He said that the business didn't carry out proper affordability checks and allowed him to continue borrowing when he was in financial difficulty. He says that this has led to a spiral of debt and he has had to take out more and more loans. Moneybox said that it did carry out checks and the loans were affordable on its criteria. It said that Mr S never said he was in financial difficulty and repaid his loans on time or early.

Our adjudicator recommended that the complaint should be upheld. He thought that Moneybox should have carried out more checks about why Mr S needed to keep borrowing in such a short time frame by the time of the second loan in 2010. He thought this suggested over reliance on short term borrowing. He considered that looking at Mr S's pattern of borrowing Moneybox should've seen that Mr S was in difficulty and was using short term credit to meet his repayments. Moneybox didn't agree and said in summary that the checks it carried out showed that the loans were affordable and the pattern of borrowing and repayment didn't suggest Mr S was in difficulty.

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 have reached the same conclusions as the adjudicator for the same reasons.

I've looked very carefully at the affordability checks carried out by Moneybox when approving the loans to Mr S. I can see that although on the face of it Mr S said he had enough money coming in to meet the repayments his pattern of borrowing by December 2010 suggested that he was overly reliant on short term credit. I can't see from the paperwork provided that Mr S was asked why he needed to borrow so often.

Looking at the affordability checks that were carried out by Moneybox I can't see that they were properly taken into account. A search of Mr S's credit file would've revealed the number of payday loans he had taken out. Mr S also had a CCJ recorded against him during the time he was taking out loans with Moneybox. Although not itself a bar to credit this should have prompted further enquiries. Moneybox should have been able to see that Mr S was relying on short term lending to meet his credit commitments. In cases such as this it's not responsible to provide further credit without more detailed consideration.

Although Mr S took out the loans and provided information to get them I don't think that this is enough for me to say Moneybox acted responsibly. Mr S wanted and needed the loans because of the spiral of debt he was in. Moneybox doesn't have a record of what Mr S said his outgoings were so I can't be satisfied that these figures were reasonable or should have caused Moneybox to ask for more detail.

Moneybox should've suspected that Mr S was reliant on short term borrowing in December 2010. Mr S asked for loans within days of paying off the previous loans. The nature of payday lending is to meet unexpected expenses in a short time frame. Looking at Mr S's pattern of borrowing together with his other payday lending I think it is clear that Mr S was relying on the loans to meet his everyday needs.

Even though on the face of it Mr S appeared to be meeting his repayments and paid off the loans, until the last one, I don't think this is enough to say that the loans were affordable. By this stage Mr S had taken out 15 short term loans with Moneybox and a number of other loans from other lenders. It was because of the reliance on short term credit that Mr S was able to manage. Lending Mr S more money in these circumstances without carrying out more robust checking was irresponsible.

Mr S has had the benefit of the money so I think it is only fair that he pays it back but I agree with the adjudicator that all interest or charges incurred from the second loan in December 2010 to the last loan should be refunded and all information recorded on Mr S's credit file about these loans should be removed.

If after the refund of interest and charges there is an outstanding balance I would expect Moneybox to come to an affordable arrangement with Mr S to pay this back.

my final decision

My final decision is that I uphold this complaint. In full and final settlement of it Active Securities Limited should do the following:

1. Refund any interest and/or charges applied to each loan taken out after 30 December 2010 together with 8% simple interest per year from the time that the interest and charges were paid to the time Mr S gets it back.
2. Remove all information recorded on Mr S's credit file about these loans.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 April 2016.

Emma Boothroyd
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