

complaint

Mr P complains that CASH ON GO LIMITED (trading as peachy.co.uk) didn't do proper affordability checks before lending to him.

background

Mr P had four loans from Peachy between April 2014 and January 2018 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Due</u>	<u>Repayment*</u>	<u>Status</u>
1	17 Apr 2014	£50	8d	25 Apr 2014	£58.50	On time
2	25 Apr 2014	£250	5m	26 Sep 2014	£109.92	On time
3	12 Jul 2017	£450	6m	21 Dec 2017	£159.60	Repaid 25 Jan 2018
4	26 Jan 2018	£450	9m	25 Oct 2018	£102.18	Repaid 12 Jul 2018

* Maximum monthly repayment over the term of the loan

Mr P says he had other short-term loans and was using the money for gambling. He says that if Peachy had looked at his credit file or bank statements it would have seen how much he was paying to other lenders. He adds that he was approved for the fourth loan even though he had difficulty repaying the third one.

Peachy says it asked Mr P about his income and expenses, as well as living arrangements. It says it also checked his credit file and says the information received did not suggest Mr P was in financial difficulties. Peachy adds that bank statements provided by Mr P do not show the loans were unaffordable as other short-term loans were not taking the majority of Mr P's disposable income. Instead they showed most of the expenditure as non-essential spending.

Our adjudicator did not recommend the complaint should be upheld. He was satisfied that the checks carried out by Peachy were sufficient and that they indicated the repayments were affordable to Mr P.

Mr P responded to say, in summary, that four loans in themselves should have been enough to show some kind of financial difficulty, especially as he needed to extend loan 3. He adds that his borrowing pattern should have raised concerns and his credit file would have shown missed payments and defaults.

my findings

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

Peachy was required to lend responsibly. It should have made checks to make sure Mr P could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr P was borrowing, and his lending history. But there was no set list of checks Peachy had to do.

Loans 1 and 2

When Mr P applied for his first two loans with Peachy he said his income was £1,500 and his expenditure was £250. As Mr P also said he was living with his parents, Peachy did not find his low level of expenditure was unreasonable. As the repayment due was a small proportion of Mr P's income, I consider Peachy did enough checks before approving his first loan.

Mr P repaid loan 1 on time and applied for a £250 loan the same day. As repayments were spread over five months, the maximum amount due in a month was £110. Mr P's financial circumstances were unchanged, so I can't see there was any indication Peachy should have carried out further checks. Therefore, I can't say it was wrong to find loan 2 to be affordable.

Loan 3

It was almost three years before Mr P applied for loan 3 and he declared his income was now £2,000, with monthly expenditure of £875, including other short-term loans. As the gap between loans 2 and 3 was significant, it's reasonable that Peachy would've assumed Mr P wasn't dependent on the borrowing. The maximum monthly repayment was £160 and, based on Mr P's disposable income, I can't see Peachy did anything wrong by approving loan 3.

Loan 4

Mr P made the first five payments on time for loan 3, but extended the loan by a month by paying only interest for his sixth payment. So when Mr P applied for loan 4, a day later, I'd have expected Peachy to have considered this when deciding what checks to carry out. Peachy asked for Mr P's income and expenditure, including other short-term loan payments. So I'm satisfied Peachy's checks were proportionate to the circumstances of the loan.

I say that because the maximum repayment was a small proportion of Mr P's £2,000 income. This was only Mr P's second loan in the loan chain, so I can't say his borrowing showed a dependency on the loans. And, although Mr P had extended the repayment of loan 3, I don't find this should have precluded him from further borrowing, especially given the time of year.

As all Peachy's checks showed loan 4 was affordable, I can't say it was wrong to approve it.

I acknowledge what Mr P says about taking four loans from Peachy. But there was a long gap between loans 2 and 3 and Peachy asked for the purpose of the loans. As Mr P said the loans were for unforeseen expenses or travel, I don't think it's unreasonable for Peachy to have found Mr P wasn't dependent on them, and nor was he in financial difficulty.

I accept Mr P says his credit file and bank statements would have shown missed payments, defaults and gambling, but Peachy was not obliged to obtain such information as long as its checks were proportionate to the circumstances of the loans. In this case, I find Peachy's checks went far enough in relation to all four loans, and that there was nothing in the available information that should have suggested the loans were unaffordable, or that Mr P was in financial difficulty. So I can't uphold Mr P's complaint.

my final decision

My decision is that I do not 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 6 July 2019.

Amanda Williams
ombudsman