

complaint

Mr M complains that MYJAR Limited gave him loans that he couldn't afford to repay.

background

Mr M was given three loans by MYJAR between December 2015 and January 2016. His first two loans were repayable the following month. His third loan was repayable in three, monthly, instalments. All of Mr M's loans were repaid before the agreed date. A summary of his borrowing from MYJAR is as follows;

Loan Number	Borrowing Date	Repayment Date	Loan Amount	Number of Repayments
1	01/12/2015	21/12/2015	£ 100	1
2	03/01/2016	25/01/2016	£ 300	1
3	25/01/2016	03/03/2016	£ 600	3

Mr M's complaint has been assessed by one of our adjudicators. He thought that the checks MYJAR had done before giving Mr M each loan had been proportionate. And that those checks suggested that Mr M was able to afford to repay the loans. So he didn't think Mr M's complaint should be upheld.

Mr M disagrees with that assessment so has asked, as he is perfectly entitled to, that the complaint be decided by an ombudsman.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

MYJAR was required to lend responsibly. It needed to make checks to see whether Mr M could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr M was borrowing, and his lending history, but there was no set list of checks MYJAR had to do.

MYJAR has told us about the checks it did before lending to Mr M. It asked him for details of his normal income, and expenditure, before agreeing each loan. And it checked Mr M's credit file before giving him the first two loans. MYJAR has also pointed out that it declined a further 24 loan applications that Mr M made between March and September 2016. It says this should give us confidence about the checks that MYJAR performed.

I think that the checks MYJAR did before each of the loans were sufficient. I've looked at the results of the credit checks that MYJAR did. Although these show some evidence that Mr M was taking credit from elsewhere at the same time, there wasn't anything of great concern at the time MYJAR agreed to lend to him. But that wasn't the case when Mr M made his subsequent applications – and as a result of that MYJAR declined Mr M's other requests.

The repayments that Mr M had to make on each of the loans were relatively modest compared to the income he declared to MYJAR. And those repayments were easily covered by the amount of disposable income that Mr M told MYJAR he had. I think, at this stage of its relationship with Mr M, that it was reasonable for MYJAR to rely on the information that Mr M was providing about his financial situation.

I appreciate that Mr M's financial situation was actually much worse than he told MYJAR. He had started to borrow heavily from a number of other short term lenders. And he was using those loans to pay for what appear to be a significant number of gambling transactions. But this wasn't information that Mr M gave to MYJAR. And I don't think it was information that, what I consider to be, proportionate checks on these loans would have uncovered. So I don't think it is reasonable to expect MYJAR to have factored this into its assessment of the affordability of these loans.

I think that MYJAR carried out proportionate checks before lending to Mr M. And those checks suggested the loans were affordable. I don't think MYJAR did anything wrong in giving these loans to Mr M.

my final decision

For the reasons given above, I don't uphold the complaint or make any award against MYJAR Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 January 2018.

Paul Reilly
ombudsman