

## complaint

Mr W complains that Active Securities Limited trading as 247 Moneybox gave him loans that he couldn't afford to repay.

## background

247 Moneybox gave Mr W 15 loans between April 2015 and April 2017. A summary of Mr W's borrowing from 247 Moneybox is set out below.

Loan Number	Borrowing Date	Repayment Date	Loan Amount	Repayment Amount
1	08/04/2015	24/04/2015	£ 80	£ 91
2	01/05/2015	22/05/2015	£ 80	£ 94
3	03/06/2015	24/06/2015	£ 150	£ 176
4	13/07/2015	24/08/2015	£80	£108
5	03/09/2015	24/09/2015	£100	£118
6	06/10/2015	23/10/2015	£125	£143
7	28/10/2015	24/11/2015	£150	£184
8	09/12/2015	22/01/2016	£80	£109
9	02/02/2016	24/02/2016	£157	£186
10	03/03/2016	24/03/2016	£147	£173
11	31/03/2016	22/04/2016	£147	£174
12	28/04/2016	13/05/2016	£172	£194
13	14/01/2017	24/02/2017	£100	£134
14	12/03/2017	12/03/2017	£150	£203
15	30/04/2017	24/05/2017	£247	£297

## 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.

247 Moneybox was required to lend responsibly. It needed to make checks to see whether Mr W 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 W was borrowing, and his lending history, but there was no set list of checks 247 Moneybox had to do.

247 Moneybox had to take steps to make sure that Mr W could afford to repay the loans in a sustainable way – that is without undue difficulty. So the fact that the amounts Mr W borrowed and the interest he paid might have been relatively low in comparison with his income or that he managed to repay them on time doesn't necessarily mean the loans were affordable for him.

*loan one*

247 Moneybox has told us about the checks it did before lending to Mr W each time. Although 247 Moneybox can't give us evidence that it asked about Mr W's income before agreeing loan one, it seems likely that, if asked, Mr W would have given 247 Moneybox a similar figure to the one he gave less than a month later.

Based on Mr W's declared income at the time, I can't find 247 Moneybox was wrong to lend to him.

*loan two*

247 Moneybox recorded Mr W's income to be £1,776. The repayment on loan two of less than £95 represented a fairly modest proportion of this declared income. I think it was reasonable of 247 Moneybox to agree to lend based on Mr W's income alone.

*loans three and four*

By loan three, 247 Moneybox expected Mr W to repay double the amount of the previous loans. I think a proportionate check for loans three then loan four should've included asking Mr W for details of his income and living costs, including any regular financial commitments. 247 Moneybox has given us evidence that it did this.

Based on the information Mr W gave, the repayments on loans three and four appeared to be affordable.

*loans five to 12*

Mr W continued to borrow from 247 Moneybox. He was regularly taking out a new loan shortly after repaying the previous loan. I think by this time, 247 Moneybox should've had concerns that Mr W's financial circumstances might not be as healthy as he was declaring.

From loan five onwards, I consider it would've been reasonable to expect 247 Moneybox to independently verify Mr W's finances. It could've done this in a variety of ways such as asking to see payslips, bills or bank statements. As Mr W has given us copy bank statements, I've used these to decide what proportionate checks would've shown.

Mr W regularly had monthly living costs and regular and short term financial commitments of more than £1,200. But with better checks, it's likely that 247 Moneybox would've also discovered that Mr W had a significant amount of online gambling transactions. For example, over the course of two days in August 2015, Mr W spent £130 online gambling.

In one month in early 2016, I can see more than £1,060 of online gambling transactions. This pattern continued throughout the time that Mr W was borrowing from 247 Moneybox.

If 247 Moneybox had looked at Mr W's financial circumstances in as much detail as I think was proportionate, it would've realised he was using payday lending to support a gambling habit. And Mr W could only manage to keep up with this and his other outgoings by taking more loans from 247 Moneybox and other short term lenders.

As a responsible lender, I don't think 247 Moneybox would've agreed loans five to 12. Mr W has lost out as a result so 247 Moneybox should pay him compensation.

### *loans 13 and 14*

This is where I reached a different conclusion to the adjudicator. There was a gap of eight months between Mr W repaying loan 12 in May 2016 and taking out loan 13 in January 2017. I thought this break was significant enough for 247 Moneybox to treat loan 13 as the start of a new chain.

As Mr W hadn't needed to borrow from 247 Moneybox for some time, it would've been reasonable to assume that his financial circumstances had improved. This means I don't think 247 Moneybox needed to carry out the same level of checks that it should've done before agreeing loans five to 12.

247 Moneybox has given us evidence that it asked for details of Mr W's income and outgoings, including his regular financial commitments before agreeing loans 13 and 14. I'm satisfied that 247 Moneybox did enough to assess whether Mr W could afford to repay the two loans. Based on the information he gave, it looked as though both loans were affordable for Mr W.

The adjudicator invited Mr W and 247 Moneybox to agree to me not upholding loans 13 and 14 but neither responded by the deadline set.

### *loan 15*

By loan 15, 247 Moneybox could see a new pattern of borrowing emerging. I think 247 Moneybox should've been doing a bit more to make sure Mr W could afford to repay loan 15. A proportionate check should've included asking Mr W whether he had any other short term lending commitments. I don't have any evidence to suggest that 247 Moneybox did this.

Mr W declared his net monthly pay was £1,912 with outgoings of £1,405. This left him with a disposable monthly income of £507. Initially I didn't think that Mr W had any other short term lending commitments at the time. But on reconsidering Mr W's bank statements, I could see that he had borrowed £350 from another short term lender towards the end of March 2017. It looks as though Mr W was repaying the other lender by three monthly instalments of between £150 and £177.

After adding this other payday lending commitment to Mr W's outgoings, he was left with a disposable monthly income of about £330. I don't consider this was enough to say that Mr W could sustainably afford to repay loan 15.

If Mr W had faced even a relatively minor unexpected expense, he would've struggled to repay 247 Moneybox without borrowing elsewhere. I think that with proportionate checks, 247 Moneybox would've had some concerns about whether the loan was affordable. As a responsible lender, I wouldn't have expected 247 Moneybox to agree loan 15.

Although I've now decided to uphold loan 15, I've done so for a different reason to the one put forward by the adjudicator. In the circumstances, I thought it was fair to give 247 Moneybox the chance to reply. As I haven't heard from 247 Moneybox I consider it's fair to uphold Mr W's complaint about loan 15 as well as loans five to 12.

### **putting things right**

To put things right, 247 Moneybox must:

- Refund any interest and charges applied to loans five to 12 and 15;
- Add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement\*;
- Remove any negative information recorded on Mr W's credit file in relation to loans five to 12 and 15

\*HM Revenue & Customs requires 247 Moneybox to take off tax from this interest. 247 Moneybox must give Mr W a certificate showing how much tax it's taken off if he asks for one.

### **my final decision**

My final decision is that I partly uphold Mr W's complaint and direct Active Securities Limited trading as 247 Moneybox to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 18 October 2018.

Gemma Bowen  
**ombudsman**