

complaint

Mr B complains that MMP Financial Limited (trading as Swift Sterling) was irresponsible in its lending to him.

background

Mr B took out 19 loans with Swift Sterling in 2017. He says that at the time of the loans his credit file showed that he was making use of other short term loan providers and had another loan. He says the loans trapped him in a spiral of debt.

Swift Sterling says that affordability checks were carried out before each loan was provided and that these were proportionate to the credit provided. It says that based on the information it received Mr B had a disposable income ranging from £623 to £773 each month showing the loans were sustainable and affordable. Swift Sterling noted that Mr B had taken out 19 loans but says that he repaid his loans early and that was why he had taken out this number within a year. It says that had the loans been repaid over the maximum term Mr B would have only had two loans in this period. It says there was no evidence that Mr B was in financial hardship at the time of the loans

Our adjudicator upheld this complaint in regard to loans five to 19. She thought that the checks carried out before the first four loans were provided were sufficient and based on these the loans appeared affordable. She thought that before the fifth and subsequent loans were provided a full review of Mr B's financial circumstances should have taken place. Had this happened she said that Swift Sterling would have realised that lending to Mr B was not sustainable.

Swift Sterling did not accept our adjudicator's view. It noted that loan four was repaid on the same day it was provided and so should not count. It also challenged the income and expenses information provided in the view regarding this loan.

Swift Sterling said that Mr B's borrowing pattern was not consistent and he repaid the loans early resulting in reduced interest. It said it gathered information on Mr B's income and expenses before each loan and based its decision on this. After the repayment of Mr B's last loan and on receipt of a further request for credit Swift Sterling said it asked Mr B for a bank statement. As this was not supplied his application was declined.

my findings

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

Mr B took out 19 loans with Swift Sterling.

Loan	Date	Amount	Maximum scheduled repayment
1	Jan 2017	£400	£203
2	Mar 2017	£150	£103
3	May 2017	£200	£75
4	Jun 2017	£150	£186
5	Jun 2017	£500	£209

6	Aug 2017	£150	£190
7	Aug 2017	£150	£190
8	Aug 2017	£200	£138
9	Sept 2017	£500	£183
10	Sep 2017	£400	£146
11	Sep 2017	£400	£146
12	Oct 2017	£300	£151
13	Oct 2017	£200	£100
14	Oct 2017	£850	£10
15	Nov 2017	£300	£360
16	Nov 2017	£200	£240
17	Nov 2017	£200	£240
18	Nov 2017	£525	£226
19	Dec 2017	£425	£183

Before agreeing to lend to Mr B, Swift Sterling had to make sure each time that the loans were affordable. Affordability checks should be proportionate. What is proportionate depends on things like - but not limited to - the size of the loan, the repayments, what Swift Sterling knew about Mr B, and the things he told it about his circumstances.

In this case Swift Sterling has explained that it checked Mr B's income and expenses before each loan was provided. Mr B's monthly income was recorded as £1,500 for the first six loans and then increased to £1,650 for the remainder of the loans. Expenses information was gathered including housing costs, transport, food, bills and utilities, credit commitments and other costs. Based on this information Swift Sterling recorded Mr B as having a disposable income ranging from £623 to £773 throughout the time of the loans.

Based on the scheduled repayment amounts compared to Mr B's income and given the loans were repaid early, I think that the checks carried out before the first four loans were provided were sufficient. Swift Sterling collated information about Mr B's expenses and income to establish his disposable income and it is reasonable that it relied on the information provided. As Mr B's disposable income was sufficient for him to make his scheduled repayments on these loans I do not find that Swift Sterling did anything wrong by providing the first four loans.

While I note Swift Sterling's comments about Mr B repaying the loans early and in the case of loan four on the same day, I also find that it should have been concerned by the frequency with which Mr B was borrowing. Given this I think it reasonable that before providing the fifth and subsequent loans Swift Sterling would have carried out a full financial review to understand whether the loans were affordable to Mr B.

I have looked through Mr B's bank statements from the time loans five to 19 were provided. His income was similar to that which Swift Sterling had recorded but his outgoings were much higher. At the time of the loans Mr B was making use of other short term lenders and was spending substantial amounts each month on gambling. While I appreciate the comments Swift Sterling has said about Mr B not reporting the higher outgoings, I think that given his borrowing pattern it should have carried out further checks on his financial situation and had this been done, I find it reasonable to say that it would have realised lending to Mr B was not sustainably affordable.

Because on the above, I uphold this complaint in regard to loans five to 19.

my final decision

My final decision is that I uphold this complaint in regard to loans five to 19. MMP Financial Limited (trading as Swift Sterling) should:

- refund all interest and charges that Mr B paid on loans five to 19;
- pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*; and
- remove any negative information about loans five to 19 from Mr B's credit file.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 20 October 2018.

Jane Archer
ombudsman