

**complaint**

Mr M complains that Instant Cash Loans Limited, trading as Payday UK, gave him loans he couldn't afford to repay.

**background**

Mr M took out the following loans with Payday UK:

	date	£ amount borrowed	date repaid
1	4 March 2015	100	2 April 2015
2	5 April 2015	300	26 April 2015
3	13 May 2015	100	17 July 2015
4	18 July 2015	700	21 October 2016

Loan four was repayable over five months.

Our adjudicator didn't think Payday UK was wrong to lend to Mr M. She said it carried out proportionate checks before loans one to three but didn't do so before loan four. The adjudicator said proportionate enquires before loan four would've included questions about any other short-term lending commitments Mr M had. But if Payday UK had made proportionate enquires before loan four it would've seen that Mr M could afford to repay that loan, so it wasn't wrong to lend to him.

Mr M didn't agree with the adjudicator. He said she'd considered this complaint differently to other complaints he's had. In the other complaints, there was reference to using the loans for gambling. Also, the loans were over a short period and increased in amounts. Mr M said after the second loan, Payday UK could've done more and asked for bank statements to check what he said was correct. Mr M asked that an ombudsman look at his complaint.

**my findings**

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

Before agreeing to lend to Mr M, Payday UK had to check each time that he could afford to make the repayments. The checks it did had to be proportionate. What's proportionate depends on things like the size of the loan repayments and the information it had about Mr M. There's no set list of the checks a lender should carry out.

Before each loan, Payday UK asked Mr M about his monthly income, which it recorded as £1,250. It also asked him about his monthly outgoings which it recorded as varying between £140 and £512. Payday UK carried out credit and identity checks before loan one.

I think the checks Payday UK carried out before loans one, two and three were proportionate. Based on the information Mr M provided, it appeared that he could afford to repay those loans. There was no reason, at that stage, for Payday UK to check what Mr M said or to ask any further questions.

I think the position changed at the time of loan four. By that time, Mr M had borrowed for almost four months and the amount he wanted to borrow increased substantially. So, there was some indication that Mr M was becoming reliant on short-term lending. I think that before loan four, proportionate checks are likely to have included asking Mr M not only about his monthly income and expenditure but also about his other short-term financial commitments.

As Payday UK doesn't appear to have carried out proportionate and sufficient checks before loan four, I can't say for sure what it would've found out had it asked Mr M about his short-term financial commitments. Mr M has provided us with evidence of his financial circumstances at the time he applied for loan four. So I've been able to get an idea of what his other short-term commitments were at that time. Based on what I've seen, I think proportionate enquires before loan four would've shown that Mr M could afford to repay it.

Before loan four, Mr M said his income was £1,250 and his outgoings were £140. The outgoings were unusually low, so Payday UK used generally available information about average outgoings and estimated Mr M's outgoings at around £375. That would've left Mr M with a disposable income of approximately £875. I've seen from the information Mr M has provided that, shortly before loan four, he was also borrowing from three other short-term lenders. But the amounts were modest and the amounts he'd have to repay were well within his disposable income. So, I think proportionate enquires would've shown that Mr M could afford to repay loan four.

I note that Mr M has said that in other cases, there's been reference to him using the loans for gambling. We look at each complaint individually. Because of the particular circumstances in this case and taking into account the amounts borrowed and the frequency of the loans, I don't think proportionate checks here necessarily included asking Mr M for his bank statements or similar information. So, proportionate checks wouldn't have led to Payday UK being aware of Mr M's gambling.

I'm sorry to disappoint Mr M but for the reasons I've set out, I think Payday UK carried out proportionate checks before loans one, two and three. I don't think it did so before loan four but I don't think that made any difference here as, if it had done so, it would have concluded that Mr M could afford to repay that loan.

### **my final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 April 2018.

Louise Povey  
**ombudsman**