

complaint

Mr G complains that Pixie Loans Limited lent to him irresponsibly. He would like any interest charged refunded and his credit file amended.

background

Mr G applied for a loan from Pixie Loans in September 2015 for £220 and another loan in October 2015 for £300. These loans were provided. Mr G says that at the time of the loans he had taken out a number of other loans and that his credit file showed he had taken out many short term loans in the previous few months.

Mr G says that if Pixie Loans had checked his credit file it would have seen that he was in financial difficulties and reliant on short term loans. Because of this Mr G says that Pixie Loans should not have lent to him.

Pixie Loans says that Mr G completed an affordability assessment as part of his application for the £220 loan granted in September. It says that Mr G's information was then verified and Mr G signed the loan agreement and agreed the loan was affordable and suitable. It says that a payment was debited in October 2015 and Mr G then also made a further payment on the same day to clear the loan.

Pixie Loans says that Mr G made another application later in October 2015 for a £300 loan. It says he confirmed there had been no change in his financial circumstances. Pixie Loans says that Mr G's information was verified and that he signed the loan agreement. It says that Mr G contacted it in November 2015 to say he had a gambling problem but that he wanted to pay the balance in full and a payment was made.

Pixie Loans says that it carried out sufficient affordability checks and did not accept that the loans had been made irresponsibly.

The adjudicator said that based on the information available ahead of the first loan, he found that loan appeared to be affordable. He said that Mr G's borrowing after the September loan and before the October loan showed a change in circumstances and that further checks should have been carried out.

The adjudicator said that based on his findings, Pixie Loans had offered to refund Mr G all charges added to the loan advanced in October 2015 (£28.80) plus 8% statutory interest from the date the charges were added to the date of settlement. He said it would also remove details of the loan from Mr G's credit file.

Mr G said that based on the number of loans he had taken out in a short period of time further checks should have been carried out to check the affordability of both loans.

my findings

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

The loans were for relatively small amounts and we would expect that affordability checks should be carried out and that these would be proportionate to the size of the loan.

Mr G was in full time employment when he took out the loans. He provided information to Pixie Loans setting out his income and expenditure when he applied for the first loan. This showed his monthly income as £2,500 and included an amount of £1,000 for his existing credit commitments. It is Mr G's responsibility to provide accurate information when applying for credit and I do not find it unreasonable that Pixie Loans relied on the information he provided.

Based on the affordability information Mr G provided in September, I find it reasonable that he was provided the loan.

I have looked at Mr G's credit file and I can see that it does not show any defaults. It shows that he has made use of numerous short term loans but that these have been repaid. So while I accept that further investigation into Mr G's credit file could have raised concerns, based on the information it contained and the information provided by Mr G, I do not find that I can say this loan was provided irresponsibly.

Mr G repaid his first loan in full before the end of the loan term.

Prior to Mr G taking out the October 2015 loan, Mr G confirmed that his financial circumstances remained the same. However from the time of his previous loan he had taken out further credit commitments. Pixie Loans has offered to repay the charges on this loan plus interest and remove this loan from Mr G's credit file. Mr G had the benefit of this loan and I find this offer reasonable.

my final decision

My final decision is that Pixie Loans Limited should, as it has agreed, refund Mr G all the charges on his loan granted in October 2015 (totalling £28.80) plus 8% statutory interest from the date the charges were added to the date of settlement. It should also remove details of this loan from his credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 20 June 2016.

Jane Archer
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