

complaint

Mr S complains that Elevate Credit International Limited (trading as Sunny) gave him loans that he couldn't afford to repay.

background

Mr S was given four loans by Sunny between May 2016 and July 2017. His last three loans were each repayable in six monthly instalments. All Mr S's loans have been fully repaid. A summary of his borrowing from Sunny is as follows;

Loan Number	Borrowing Date	Repayment Date	Loan Amount
1	19/05/2016	24/05/2016	£ 150
2	18/11/2016	28/04/2017	£ 450
3	04/12/2016	31/05/2017	£ 450
4	03/07/2017	02/09/2017	£ 650

Mr S's complaint has been assessed by one of our adjudicators. He thought that the checks Sunny had done before the first two loans had been sufficient. And although he thought that more checks should have been done before Sunny agreed the last two loans, he thought that better checks would still have suggested the loans were affordable.

Mr S didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

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

Sunny has told us about the checks it did before lending to Mr S. Before each loan it asked him for details of his income, and his normal monthly expenditure. And it checked his credit file before each loan too. I've not seen the results of those credit checks but I'm not aware of any adverse information that I think Sunny would have seen. Mr S did receive a default just before he took loan 4 – but I think that was too close for me to be satisfied it should have been seen by Sunny on its credit check.

The first loan that Mr S asked for was relatively small compared to the income he declared to Sunny. And his repayment appeared to be easily affordable compared to what he said about his disposable income. As this was the early stages of its relationship with Mr S I think it was reasonable for Sunny to rely on the information Mr S provided. And that information suggested that the loan was affordable. So I don't think Sunny was wrong to give this loan to Mr S.

Mr S repaid his first loan just five days later, and there was then a gap of almost six months before he asked Sunny for another loan. From here onwards Mr S's loans were repayable in six monthly instalments. So the amounts that Mr S needed to repay each time were smaller than if he'd taken a normal payday loan like loan 1. But of course he was committing to making those repayments over a far longer period.

The repayment that Mr S needed to make on his second loan was smaller than what he'd repaid on loan 1. And the repayment appeared easily affordable based on what Mr S had said about his disposable income. Once again I think it was reasonable for Sunny to rely on the information Mr S provided. So I don't think Sunny was wrong to give this loan to Mr S either.

Just over two weeks later Mr S asked Sunny for another loan. So as he had only just begun repaying loan 2 he now had two loans outstanding at the same time – and as a result his combined monthly repayments were much higher than anything he'd repaid before. I think this behaviour should have caused some concern to Sunny and that it should have done some more detailed checks. While I think it was still reasonable to base its assessment on information provided by Mr S, Sunny should have also asked him some very specific questions about any other short term loans he was already committed to repaying.

Mr S repaid both loan 2 and loan 3 as scheduled. And around a month later he asked for another loan. This was now his fourth request in just over a year. The amount he asked to borrow was the highest of any loan – but overall his repayment on this loan was much less than the combined repayments of loans 2 and 3. So on balance I still think it was reasonable for Sunny to continue to rely on the basic income and expenditure information provided by Mr S. But as before it should have supplemented this with details of any other short term borrowing taken by Mr S.

But although I don't think the checks Sunny did before loans 3 and 4 were sufficient, that in itself doesn't mean that Mr S's complaint should succeed. I'd also need to be persuaded that what I consider to be proportionate checks would have shown Sunny that Mr S couldn't sustainably afford the loans. So I've looked at Mr S's bank statements, and what he's told us about his financial situation, to see what better checks would have shown Sunny.

Mr S told Sunny that he had £1,125 left over at the time of loan 3. And because he said his income had gone up, and his expenditure gone down, this had risen to £1,525 at the time of loan 4. Given that there was seven months between each set of information I don't think this increase in disposable income needed to be questioned by Sunny.

I can see that, at the time of each of loan 3 and loan 4, Mr S was borrowing from other short term lenders. But the amounts he was committed to repaying at the time of those loans were relatively modest. So even if I deducted these repayments from the disposable income Mr S had declared the loans would have still seemed to be easily affordable for him.

I appreciate that Mr S's financial circumstances were much worse than he declared to Sunny. His normal expenditure was higher and he was spending money each month on what appear to be gambling transactions. But this wasn't something he told Sunny, and I don't think it was something that Sunny would have discovered from what I consider to be proportionate checks. So I think it was reasonable for Sunny to conclude that these loans were affordable for Mr S. As a result I don't think this complaint should be upheld.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 4 August 2018.

Paul Reilly
ombudsman