

complaint

Miss M complains that Cash on Go Limited (trading as Peachy.co.uk) gave her unaffordable instalment loans. She wants a refund of the interest she paid, with interest.

background

Miss M had 10 loans from Peachy between March 2015 and August 2016. She said the loans were unaffordable and made her financial situation worse. Peachy said it had carried out affordability checks and it saw no signs that Miss M was in financial difficulties. However, as a gesture of goodwill, it offered to waive the balance outstanding for Miss M's last loan. But Miss M declined this offer.

Our adjudicator recommended that the complaint should be upheld in part. He thought Peachy had made sufficient affordability checks for Miss M's first three loans, but not thereafter. He thought that if it had made enough checks, it would have found that Miss M could afford loan four, but not loan five onwards due to her gambling.

So the adjudicator thought Peachy had been wrong to approve these loans. He thought Peachy should refund Miss M's interest and charges for these six loans, with interest, and offset this against the principal still owed. He also thought it should remove related adverse information from Miss M's credit file.

Peachy replied that it had relied on the accuracy of information provided by Miss M. Its credit checks hadn't shown any defaults in the previous year.

my findings

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

Miss M first borrowed and repaid £400 (£481.13 with interest), then £500 (£612) and £400 (£464). Loan four was for £500 (£836.18). Loans five to ten were for £600 or £700. The loans were to be repaid in monthly instalments of varied lengths. Miss M repaid all her loans early or on time except for the last loan and a balance remains outstanding.

Peachy was required to lend responsibly. It should have made checks to make sure that Miss M could afford to repay the loans before it lent to her. Those checks needed to be proportionate to things such as the amount Miss M was borrowing, and her lending history. But there was no set list of checks Peachy had to do.

Peachy checked Miss M's income and expenditure on three occasions. It also carried out credit checks, though I can't see what these found. Miss M's income was between £3,500 and £4,000 a month after tax. Her expenses were about £2,000. She didn't declare any other short-term loans.

Miss M's first three loans were small compared to her income. The loans looked affordable compared to Miss M's stated disposable income. I think it was reasonable for Peachy to rely on the accuracy of Miss M's statements, unless it had reason for concern. She made her repayments early or on time. So I think Peachy's checks were proportionate and sufficient and I can't say it was wrong to approve loans one to three.

By loan four I'd expect Peachy to have made further checks on Miss M's circumstances. She'd been borrowing sequentially for three loans despite a stated large disposable income. So I think Peachy should then have asked her about her other borrowing, both regular and short-term, to check that she could afford her repayments.

I've looked at Miss M's bank statements from the time to get this information, but Peachy could easily have asked Miss M for it. From these, I think that if Peachy had made sufficient checks it would have found that Miss M could afford to repay loan four comfortably. So I can't say it was wrong to approve it.

When Miss M asked for loan five, I think Peachy should then have made full enquiries into her financial circumstances. This is because the loans aren't intended for long term use. They are an expensive form of borrowing intended for short-term use. Miss M had a pattern of sequential borrowing and the amount was increasing. So I think it wasn't reasonable for Peachy to continue to rely on Miss M's stated information without verifying it.

Sufficient checks would have found that Miss M was borrowing from Peachy and other short-term lenders to sustain her gambling habit. I think that if Peachy had made sufficient checks, it would have seen this, as I have. And so, as a responsible lender, it would have declined further loans. So I think its lending from loan five onwards was irresponsible.

my final decision

My final decision is that I uphold this complaint in part. I require Cash on Go Limited (trading as Peachy.co.uk) to do the following:

1. Refund Miss M the interest and charges she paid from loan five onwards, adding interest at 8% simple per annum from the date of payment to the date of settlement. This refund should be offset against any principal still outstanding for the last loan and the rest paid to Miss M.
2. HM Revenue & Customs requires Peachy to withhold income tax from that interest. It must give Miss M a certificate showing how much it's taken off if she asks for one.
3. Remove any adverse information relating to these loans from Miss M's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 18 September 2017.

Phillip Berechree
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