

complaint

Mr W complains that Active Securities Limited trading as 247Moneybox lent him money that he couldn't afford to repay.

background

Mr W took out 26 loans with Moneybox between 2010 and 2013. He said it was irresponsible to agree to lend.

Moneybox didn't agree the lending was unaffordable. It recorded Mr W's net pay as being £1,250 after essential outgoings. Moneybox said Mr W's credit score fell within the approved threshold. And Mr W never borrowed more than 32% of his net pay.

Before this service became involved, Moneybox offered to refund interest paid on the final loan and remove any defaults it had registered.

The adjudicator recommended that Mr W's complaint be upheld in part. She thought the lender carried out enough checks before agreeing the first three loans but not from the fourth loan onwards.

The adjudicator thought that if Moneybox had carried out appropriate affordability checks, it would still have given Mr W the fourth loan but none of the remaining 22 loans.

The adjudicator could see Mr W's income was less than the figure Moneybox had recorded. And he was gambling regularly and heavily. The adjudicator didn't think Mr W's financial situation improved. She recommended that Moneybox refund all interest and charges paid on the fifth loan onwards. She asked the lender to pay simple interest of 8% a year on the refund and remove any negative information about the loans from Mr W's credit file.

Moneybox didn't respond to the adjudicator's recommendation so the complaint came to me.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I agree that Mr W's complaint should be upheld in part.

loans one to three

I agree that Moneybox's checks went far enough for these loans. It asked about Mr W's essential expenses and his income and carried out credit checks. Based on what Mr W told Moneybox, it was reasonable to lend.

loan four

By the time Mr W applied for the fourth loan, he'd been borrowing every month and taking out a new loan just days after repaying the one before. I think this should've prompted Moneybox to take a more detailed look at Mr W's finances. This should've reasonably included asking him about his other short term lending commitments.

Although the adjudicator thought the fourth loan would've still appeared affordable, I don't agree as Mr W had just borrowed almost £1,100 from other short term lenders. This meant he didn't have enough disposable income to meet the Moneybox loan repayment of more than £200. But as Mr W doesn't want me to delay issuing my final decision in order to put this to Moneybox, I'm not going to require the lender to do anything further about the fourth loan.

loans 5 onwards

The repayment on the fifth loan in March 2011 was for about £260. Although this didn't represent a significant proportion of Mr W's stated disposable income it was the second time he'd borrowed that month. And it was more than his other four loans.

I've already said Mr W was taking out successive loans I think this indicated an emerging pattern of repeated borrowing. I think by this time, Moneybox should've been getting the fullest understanding possible of Mr W's finances by checking his income and expenditure with evidence such as copies of bills, payslips or things like bank statements.

If Moneybox had done this, it would've realised Mr W's income was less than he stated. He was borrowing from a number of short term lenders and was gambling frequently. Mr W's outgoings far exceeded his income before taking the fifth loan.

A similar situation continued across the remaining loans. Sometimes Mr W borrowed from Moneybox twice in the same month. I can see instances when he took out a new loan on the same day he settled the previous loan. Rarely did a month go by without Mr W borrowing from Moneybox.

The amount of loans Mr W took out wasn't sustainable or affordable. I think Moneybox should've realised this. It was irresponsible to continue relying on what Mr W said about his income and outgoings without doing better checks.

If Moneybox had done these checks, it would've seen a similar financial picture across the rest of the loans. Mr W was spending more on repaying what he owed to lenders, gambling and living expenses than he earned each month.

Overall, don't think Moneybox should've agreed to the fifth loan onwards. It should refund all interest and charges Mr W paid on these loans together with interest. Moneybox should remove any negative information relating to these loans.

Mr W has had the benefit of any capital he borrowed so if any of the capital balance remains outstanding, Moneybox can deduct this from the refund.

my final decision

My decision is that I uphold this complaint in part. To put things right, Active Securities Limited trading as 247Moneybox should:

- Refund any interest and charges applied to the fifth loan onwards
- Add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement*

- Apply the refund to any outstanding capital before paying the remaining balance to Mr W.
- Remove from Mr W's credit file, any negative information about the above loans and any records of searches it's done since he complained

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 16 September 2017.

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

Gemma Bowen
ombudsman