

complaint

Mr R complains that Active Securities Limited (trading as 247Moneybox.com) did inadequate checks before approving his loan applications and the repayments were unaffordable to him.

background

Mr R had 13 loans from 247Moneybox between August 2015 and October 2016 as follows:

Loan	Date	Amount	Due	Repaid	Status
1	12 Aug 2015	£80	25 Sep 2015	£108.80	On time
2	28 Sep 2015	£155	23 Oct 2015	£187.24	On time
3	29 Oct 2015	£230	25 Nov 2015	£281.52	On time
4	25 Nov 2015	£396	22 Dec 2015	£484.76	On time
5	22 Dec 2015	£288	25 Jan 2016	£368.50	On time
6	27 Jan 2016	£404	25 Feb 2016	£500.90	On time
7	3 Mar 2016	£430	24 Mar 2016	£505.68	On time
8	31 Mar 2016	£399	25 Apr 2016	£481.94	On time
9	3 May 2016	£400	25 May 2016	£473.60	On time
10	26 May 2016	£396	24 Jun 2016	£427.21	Early – paid 7 Jun 2016
11	15 Jun 2016	£377	22 Jul 2016	£491.76	On time
12	1 Aug 2016	£415	2 Sep 2016	£494.68	On time
13	13 Oct 2016	£339		£450.11	Late – paid 3 Apr 2017

Mr R says that if 247Moneybox had done better checks it would have found he had multiple short-term loans with other providers. He said that his borrowing pattern should have alerted 247Moneybox to the possibility he was becoming dependent on such loans.

247Moneybox says it asked Mr R for income and expenditure information and completed credit checks before approving the loans. It adds that it also asked him for further information when he applied for his third loan, including whether he had any other short-term loans. It says Mr R didn't provide any further information and the loans were approved on that basis.

Our adjudicator recommended the complaint should be upheld in part. He wasn't satisfied that 247Moneybox had done adequate checks before approving any of the loans. He found it likely that, had 247Moneybox carried out proportionate checks, it would still have found the first three loans to be affordable. However, he didn't consider any of the remaining loans were affordable to Mr R. He recommended 247Moneybox should refund interest and charges on loan 4 onwards (plus 8% statutory interest) and remove any associated negative information from Mr R's credit file.

247Moneybox did not respond to the adjudicator's assessment.

my findings

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

247Moneybox was required to lend responsibly. It should have made checks to make sure Mr R could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr R was borrowing, and his lending history. But there was no set list of checks 247Moneybox had to do.

I've seen the evidence of the checks carried out by 247Moneybox, but I can't see it asked for information about Mr R's income and expenditure until the fifth loan in December 2015. As a minimum, I consider a proportionate check should include information about a consumer's income, so I'm not satisfied the checks for the first four loans went far enough. But, when Mr R was applying for his fifth loan in quick succession, I would have expected 247Moneybox to have concerns that he was developing a dependency on such funding. Therefore, although I can see 247Moneybox had information about Mr R's income and expenditure by then, I think it should also have carried out a full financial review to include verifying the declared figures and checking whether Mr R had other short-term loans. I can't see it did this, so I don't find 247Moneybox's checks went far enough for loan 5 onwards either.

Loans 1 and 2

If 247Moneybox had carried out proportionate checks for these loans, it would have found Mr R's income was about the same as he'd declared for loan 5 – £1,460. So, as these were the first two loan applications, and the repayments were under £200, I'm satisfied 247Moneybox would have found these loans to be affordable.

Loan 3

The scheduled repayment for loan 3 was almost £300, which was a significant proportion of his income. So, as well as asking Mr R about his income and expenditure, I would have expected 247Moneybox to ask him about any other short-term loans. I acknowledge 247Moneybox said it specified short-term loans when it asked for further information at this stage, but I haven't seen any evidence of any information provided by Mr R for loan 3.

However, I've had a look at what I think it's likely Mr R would have said in this respect. I can see he told 247Moneybox his expenditure in December 2015 was £845 which included £330 on credit commitments. I can see from Mr R's bank statements that he regularly paid around £30 to a credit card, but the rest of the credit commitments figure appears to be other short-term loans. In November 2015, Mr R needed to pay almost £500 to four other short-term loan providers at the same time as loan 3's repayment was due. So his credit commitment would have been around £530. That left him with just over £400 with which to make loan 3's repayment, so I find it was reasonable for 247Moneybox to approve loan 3.

Loan 4 onwards

From loan 4 onwards, Mr R's scheduled repayments were between £370 and £500. During the same period his declared disposable income varied between £615 and £855. In order to fully assess Mr R's financial position, I've looked at his bank statements and found the following:

- Mr R's declared income was in line with his bank statements. He earned £1,460 per month in 2015 and this increased to £1,610 in 2016.
- He had regular monthly outgoings of around £600, including rent, food, phone bills, credit card payments and bank charges.
- Mr R was repaying multiple short-term lenders every month. The total repayments ranged from just over £500 to £1,600 in a single month.
- In addition, Mr R was spending hundreds of pounds on online gambling every month.

So, in conclusion, I can't agree that loans 4 onwards were affordable to Mr R and I consider it likely 247Moneybox would have found the same had it done better checks.

my final decision

My decision is that I uphold this complaint in part. Active Securities Limited (trading as 247Moneybox.com) should:

- Refund all interest and charges that Mr R paid on loans 4 to 13;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- Remove any negative information about loans 4 to 13 from Mr R's credit file.

*HM Revenue & Customs requires 247Moneybox to take off tax from this interest. 247Moneybox must give Mr R a certificate showing how much tax it's taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 24 May 2018.

Amanda Williams
ombudsman