

complaint

Mr B complains that Instant Cash Loans Limited (trading as The Money Shop) was irresponsible to lend to him.

background

Mr B had two loans from The Money Shop between June 2016 and July 2016 as follows:

Loan	Date	Amount	Term	Due	Repayment	Repaid
1	25 Jun 2016	£650	3m	30 Sep 2016	£314.27	6 Jul 2016
2	8 Jul 2016	£1,500	4m	31 Oct 2016	£549.57	Outstanding

Mr B says The Money Shop didn't carry out necessary affordability checks before lending him money. He says that The Money Shop should have identified that his expenditure exceeded his income and that he was in financial difficulty. Mr B adds that better checks would have shown a serious gambling issue, multiple bounced transactions, other short-term loans and payments to a debt management plan.

Mr B says The Money Shop's negligence has contributed to his poor mental health and extreme financial hardship.

The Money Shop says it asked Mr B for information about his income and expenditure and completed a credit check. It says the repayments appeared to be affordable based on the declared information and there did not appear to be any issues with other lenders.

Our adjudicator did not recommend the complaint should be upheld. She was satisfied that The Money Shop had carried out proportionate checks for both loans and found there was nothing in the information it received that would have indicated further checks were needed. So she didn't conclude The Money Shop had done anything wrong.

Mr B responded to say, in summary, that, although he would concede that The Money Shop did adequate checks before approving his first loan, he couldn't agree that it had done enough checks for loan 2. He says for loan 2 he declared a 14% higher income than the £3,150 which he'd declared just two weeks earlier. He says that that, and the fact he'd reapplied just two days after repaying loan 1, should have prompted The Money Shop to verify the information, especially as the repayments were a large proportion of his income. He adds that he'd (correctly) declared his income to be £1,700 in 2015 when he applied for a loan from another Instant Cash Loans company. Mr B says a check of his bank statements would have shown the declared income figure was incorrect.

Mr B adds that The Money Shop lent him £1,600 in two weeks and that, in another case where he was lent £1,000, this service had said it is not sufficient to rely on income figures provided by the customer.

Mr B also points out that a complaint against Instant Cash loans for irresponsible lending with regard to another business entity was upheld. He says he "*fail[s] to understand how the exact same company can not be guilty of the exact same charge when they made the exact same mistakes.*"

Finally, Mr B says his Subject Access Request (SAR) documents did not contain information about credit searches which The Money Shop says it carried out.

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

Loan 1

When Mr B applied for the first loan, he told The Money Shop his income was £3,150 and his regular expenditure was £989. The Money Shop reviewed his expenditure figures for some of the categories based on data it had about average expenditure and increased Mr B's expenditure to just over £1,100.

I can also see that The Money Shop carried out a credit check, although it says it doesn't have a copy of the results. So I've looked at the credit report Mr B has provided to see what information The Money Shop is likely to have seen. I can see there are a couple of defaults showing on the report, but, as they're from 2012 and 2013 I'm satisfied it would not have influenced The Money Shop's lending decision in 2016. I can also see that he was on a payment arrangement for two other short-term loans. But Mr B was making regular repayments and they did not make The Money Shop Loan unaffordable.

I'm satisfied there was no indication that The Money Shop needed to do any further checks and that, based on the information it had, it would have found loan 1 to be affordable.

Loan 2

Mr B repaid loan 1 early and applied for his second loan two days later. This time he told The Money Shop his income was £3,600, with expenditure of £1,042. Again, The Money Shop increased his expenditure figure, but this still gave him a disposable income of almost £2,500. Given that Mr B had repaid loan 1 early, I'm satisfied the checks carried out by The Money Shop were proportionate to the circumstances of loan 2. So, I can't conclude it was wrong to approve it.

I have carefully considered all the additional points raised by Mr B and I will address them in turn:

- I acknowledge Mr B declared an increased income between loans 1 and 2, but I'm satisfied The Money Shop was entitled to rely on such information at this stage in the lending process. I can't see there was anything that should have indicated to The Money Shop that such information was likely to be incorrect. I accept that the repayment was a large proportion of Mr B's income which is why I consider a proportionate check should have included asking him about his expenditure. But The Money Shop did this and it showed the repayment was affordable.
- I've considered what Mr B said about the correct income being declared to another Instant Cash Loan company in 2015. But, on looking into it further it seems Mr B last had a loan from that company in 2013 when it wasn't part of Instant Cash Loans. So,

although I can see Mr B declared an income of £1,600 then, even if Instant Cash Loans had that information, I don't think it's unreasonable for Mr B's income to be significantly different in 2016.

- I also accept Mr B's bank statements would have shown the discrepancy in income, but The Money Shop was not obliged to ask for that level of detail as the checks it did carry out were proportionate to the circumstances of the lending.
- With regard to other cases where the outcome has been different, I can only look at the merits of individual cases. The circumstances of both the cases cited by Mr B are materially different to this case.
 - In the case where Mr B says he borrowed £1,000, this loan was taken out after The Money Shop loan and some of the reasons for better checks being required were because he was in arrears on loan 2 and was, by then, on a debt management plan.
 - The other Instant Cash Loans complaint relates to loans from 2012 and 2013, when the business entity was part of a different holding company. It's likely that the loan approval process, and Mr B's circumstances, were significantly different.
- Finally, I acknowledge that Mr B's SAR documents did not contain the results of the credit search. As Instant Cash Loans also told this service that it didn't have the results of the search, I can't conclude Mr B's SAR documents were incomplete.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 26 April 2019.

Amanda Williams
ombudsman