

complaint

Mr S says Active Securities Limited (trading as 247 Moneybox) gave him loans he couldn't afford to repay. He asks for compensation.

background

Mr S says he had multiple loans with several payday lenders. He says the debts resulted in financial difficulties.

The adjudicator recommended that the complaint should be upheld, saying:

- Mr S took out eight loans from December 2014 to July 2015 for amounts between £100 and £660. After looking at his credit files and bank statements, she couldn't see that the loans were unaffordable or that Mr S was borrowing to repay existing loans.
- Mr S took out 10 loans between August 2015 and May 2016. His credit report shows payday loans with other lenders. He was struggling to repay loans without taking out a new loan. He was paying over half his salary on loan repayments. 247 Moneybox would have seen that the loans were not affordable if it had carried out affordability checks.
- 247 Moneybox should refund interest and charges on the loans taken out in August 2015 onwards, with 8% interest, and remove them from his credit files.

247 Moneybox didn't agree. It said it checked whether the loans were affordable using income and expenditure information provided by Mr S. This showed enough disposable income to repay the loans. It also verified Mr S's employment and did credit checks. It said Mr S's credit score was 250-281, above its lending threshold. 247 Moneybox offered to write off the remaining balance and remove defaults from Mr S's credit files.

my provisional findings

I sent a provisional decision to the parties in which I set out the following provisional findings:

247 Moneybox responded to the adjudicators view and explained why it disagreed with her recommendation. But it hasn't provided evidence, such as account records or copies of its credit checks, to support its comments.

Mr S took out the first loan, for £100, in December 2014. 247 Moneybox says Mr S's credit score was above its lending threshold. It hasn't provided evidence about what else the credit check revealed. Mr S sent a copy of his credit report. This shows he'd been taking out payday loans for several years. There's a default recorded (and settled) in 2012. The report shows late payments recorded against a payday loan throughout 2014 and 2015. I don't think this information means 247 Moneybox shouldn't lend to Mr S. I think the information should prompt it to ask about Mr S's income and expenditure to assess whether the loans were affordable.

247 Moneybox says it recorded Mr S's net monthly income as £2,026 to £2,100. It says it did a credit check and asked for information about Mr S's expenditure before each loan. Mr S says his expenditure was higher than he'd told 247 Moneybox. But I think 247 Moneybox was entitled to rely on the information Mr S provided unless it

had reason to question it. I don't think it was unreasonable for 247 Moneybox to assess the first five loans (of amounts between £100 and £400) as affordable.

But in May 2015 Mr S asked for a £500 loan. This was the fifth time he'd asked for a loan shortly after repaying the previous loan and the amounts of the loans were increasing. I think this should have alerted 247 Moneybox to a possible problem. I think it should have questioned the information provided by Mr S.

Mr S's bank statements show monthly income of about £1,900. In late April, before his wages credited, his overdraft was £3,000. He incurred unplanned overdraft fees and direct debits were returned unpaid. There are payments to other payday lenders and a large number of payments to online gambling sites. I don't think further borrowing was affordable or sustainable and 247 Moneybox would have known this if it had carried out proper checks.

247 Moneybox continued to provide loans of between £457 and £604 to Mr S until May 2016. Mr S's bank statements suggest his financial position didn't change in this period. In April 2016 he was overdrawn by nearly £3,000 and incurred unplanned overdraft fees. There were a large number of gambling transactions.

I think it's fair and reasonable that 247 Moneybox refunds any interest and charges applied to the £500 loan taken out in May 2015 and all later loans, with interest at 8% simple per year. It should deduct the refund from any capital outstanding and pay Mr S any balance.

If an unpaid balance remains after the refund, Mr S should repay this as he's had use of the money. If his financial circumstances make this difficult, he should contact 247 Moneybox about agreeing a suitable repayment plan. 247 Moneybox should remove any adverse information about the £500 loan and later loans from Mr S's credit file.

Mr S agreed with my provisional decision. 247 Moneybox didn't respond.

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 haven't received any comments or evidence since I issued my provisional decision to persuade me to change my findings from those set out in my provisional decision.

my final decision

My decision is that I uphold this complaint. I order Active Securities Limited to:

- refund all interest and charges applied to the £500 loan taken out in May 2015 and all later loans plus pay interest at 8% simple per year from the date each sum was paid until the date of settlement. This should be offset against any outstanding capital sum; and
- remove any adverse information about these loans from Mr S's credit files.

Active Securities Limited must pay the compensation within 28 days of the date on which we tell it Mr S accepts my final decision. If Active Securities Limited considers that it's required by HM Revenue & Customs to withhold income tax from the 8% interest, it should tell Mr S

how much it's taken off. It should also give Mr S a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 9 February 2017.

Ruth Stevenson
ombudsman