

## **complaint**

Mr N has complained about short-term loans granted to him by Cfo Lending Limited ("Cfo" or "the lender").

## **background**

Cfo agreed four short-term loans for Mr N over the period January to March 2013. Mr N says these loans were unaffordable for him and that Cfo would have known that and should not have lent to him.

One of our adjudicators has looked into Mr N's complaint already. He recommended that it be upheld. Mr N accepted this recommendation but Cfo disagreed with it and asked for the complaint to come to an ombudsman for a final decision.

## **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 have also taken into account the law, any relevant regulatory rules and good industry practice at the time.

In making this decision I have considered whether or not Cfo did everything it should have when assessing Mr N's loan applications. And following on from this whether any assessment failings resulted in Cfo agreeing to lend to Mr N when it should reasonably have known that he would find it difficult to repay.

Our adjudicator's view was that Cfo had carried out proportionate checks for Mr N's first loan, but not for the later three loans. He recommended that Cfo refund Mr N's charges and interest for his last three loans.

Having reviewed everything both parties have told us about this matter, I agree with our adjudicator and am upholding Mr N's complaint. I appreciate this will be disappointing for Cfo, but I hope my explanation makes it clear why I have come to this conclusion.

Mr N applied for a loan of £210 with Cfo in late January 2013. Cfo has provided a copy of Mr N's loan application and it appears from this that Mr N told Cfo that he had an amount of £675 in disposable income. I can see from his bank statements that this wasn't the case, but I don't think anything would have alerted Cfo to this at this point.

It appears, from the statement of account that Cfo provided, that Mr N didn't manage to repay his first loan on time and deferred the principal repayment once. And that he borrowed £460 on the day he repaid his first loan. He went on to take out a third loan of £600 at the beginning of March and another for the same amount towards the end of that month. He didn't manage to repay either his third or fourth loan within the agreed time, eventually setting up a 12 month repayment plan for the principal amount of his fourth loan.

Mr N says of his borrowing from Cfo *"I had to borrow more often and in larger amounts as time went on, and had, for the most part, to roll them over the maximum amount of months each time, as I could not pay them back in full instantly, thereby accruing the maximum amount of interest possible. Indeed, your payday loans were part of a number that trapped me into a debt spiral, with the loan repayments taking a huge chunk out of my wages, so*

*then I had to borrow again from you and from other payday lenders to cover my next month's living expenses."*

Mr N's bank has provided statements covering the period in question and the preceding 12 months. I can see from these that the information Mr N gave to Cfo about his credit commitments wasn't entirely complete. For example, in December 2012 Mr N had borrowed over £2,500 from short-term lenders adding to his existing credit commitments, rent and bill payments. His regular outgoings also included gambling expenses.

Cfo didn't carry out a credit check prior to lending to Mr N that January. I can't say that it did anything wrong in not doing so, and it was entitled to rely on the information Mr N gave it about his income and expenditure. However, I think Cfo should have been alerted to the possibility that Mr N was having trouble making his repayments when he failed to repay his first loan within the agreed time.

Had Cfo carried out what I consider to be reasonable and proportionate checks in February 2013 when Mr N applied for his second loan, I think the lender would have known that, due to Mr N's circumstances, the second loan it agreed for him was not affordable. And that further short-term lending to him would be unsustainable and therefore irresponsible.

In order to put this right, Cfo should:

- refund charges, including interest and deferral payments, for the three loans Mr N took out in February and March 2013.
- pay interest on these refunds at 8% simple\* per year from the dates of payment to the dates of settlement.
- remove any adverse information about these loans from Mr N's credit file.

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

### **my final decision**

For the reasons set out above, I uphold this complaint and direct Cfo Lending Limited to pay Mr N compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 24 October 2016.

Michelle Boundy  
**ombudsman**