

complaint

Mrs K complains that Novaloans Ltd (trading as Cash4unow) lent her money without checking properly that she could afford to repay it. She says if it had done so it wouldn't have lent to her, so she wants Cash4unow to compensate her for this.

background

Mrs K took out four loans with Cash4unow in 2017. They are summarised in the table below (with figures rounded to the nearest pound for ease of reading).

Loan number	Amount	Date taken	Date repaid	Monthly payment required	
1	£400	16 May 2017	31 May 2017	£180 x 3	Repaid early
2	£400	9 June 2017	28 June 2017	£158 x4	Repaid early
3	£600	7 July 2017	31 July 2017	£290 x 3	Repaid early
4	£600	September 2017		£187 x 6	Default October 2017

Mrs K complained that Cash4unow didn't carry out proper checks before it lent to her, and says if it had, it would have seen she was borrowing from other lenders and spending a substantial amount gambling online. Mrs K thinks if Cash4unow had done this it wouldn't have lent to her.

Cash4unow agreed that it shouldn't have given Mrs K her fourth loan, and offered to refund interest and charges.

Our adjudicator thought this was a fair response, as he didn't think Cash4unow had acted irresponsibly when it agreed the first three loans.

Mrs K says Cash4unow could have looked at her bank statements before agreeing to any of the loans and if it had done that it would have realised she was gambling and couldn't afford them. Mrs K says she was also juggling an increasing number of loans from other lenders too. Finally she says she asked for loans very close together, which should have alerted Cash4unow to the fact that she was struggling.

I've been asked to decide this complaint.

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 find I've come to the same conclusion as the adjudicator, for much the same reasons.

Before deciding whether it should lend to Mrs K, Cash4unow was required to carry out checks to see if she could afford the repayments. The checks should've been proportionate, taking into account things like the information provided by Mrs K, her credit history and how much she wanted to borrow – but there were no prescriptive rules setting out exactly what Cash4unow should check.

Cash4unow has provided some information about the checks it carried out before lending to Mrs K. It asked Mrs K to provide information about her monthly income and expenditure, including her general living costs, other regular financial commitments and any loans from payday or short term lenders. It also obtained information from a credit reference agency each time it agreed a loan.

I think that the checks Cash4unow carried out for the first three loans were proportionate. Based on what Mrs K told Cash4unow about her monthly income and outgoings, I can't see that it should've been concerned that the loans were unaffordable. For each of the first three loans Mrs K declared a monthly income of £3,800 when she applied for the loans. The monthly outgoings she declared – which included some short term loans – varied between £2,292 and £1,390. That suggests the largest instalments on the loans she applied for were all affordable. This remains the case after allowing some reasonable leeway for undeclared outgoings. Cash4unow has told us about the credit checks it undertook and the information it collected from these, and I can't see anything in the checks it did for the first three loans that would have indicated Mrs K was unlikely to be able to meet her commitments. I understand Mrs K was gambling at the time, but I don't think the checks Cash4unow carried out would have alerted it to this. So I don't think it should necessarily have done the in depth assessment of her circumstances Mrs K says it should.

By the time Mrs K asked for the fourth loan a pattern was emerging that might indicate she was becoming dependent upon this type of borrowing. But Cash4unow has already acknowledged it have checked more carefully at this point and offered compensation for this. And it says it will look at a payment plan if Mrs K can't afford to repay the amount she still owes in one go. I think that's a fair way to deal with Mrs K's complaint.

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 Mrs K to accept or reject my decision before 30 June 2018

Sue Peters
ombudsman