

complaint

Miss A complains that Nextcredit Limited gave her unsuitable payday loans. She wants a refund of her interest, with interest.

background

Miss A had five loans from Nextcredit between January and May 2015. She said a check on her credit file would have shown her financial difficulties. So she thought Nextcredit had been wrong to approve the loans. Nextcredit said it had carried out appropriate affordability checks which showed that the loans were suitable for Miss A.

Our adjudicator recommended that the complaint should be upheld in part. She thought Nextcredit's affordability checks had been proportionate and sufficient for loans one to four, but not loan five. She thought that if Nextcredit had made sufficient checks, it would have seen that Miss A couldn't afford to repay loan five. And so she thought it had been wrong to approve it. She thought Nextcredit should refund Miss A's interest and charges for loan five, with interest, and remove any adverse information from her credit file.

Nextcredit replied that its checks showed that Miss A didn't have any adverse credit history when it approved her loans. There were no indications of financial difficulties.

my findings

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

Miss A first borrowed and repaid £100 (£111.20 with interest) twice in succession. She then borrowed £200 (£244.80), £100 (£116.80) and £200 (£244.80) again. The loans were taken back to back and all were repaid.

Nextcredit was required to lend responsibly. It should have made checks to make sure that Miss A could afford to repay the loans before it lent to her. Those checks needed to be proportionate to things such as the amount Miss A was borrowing, and her lending history. But there was no set list of checks Nextcredit had to do.

Nextcredit said for each loan it asked Miss A for her monthly income, regular outgoings and rent. It also carried out a credit check and said this didn't show anything untoward. Miss A said her income was £1,400 after tax and her outgoings ranged between £350 and £450.

I agree that these checks were proportionate for the size of loans one to four compared to Miss A's income. It looked as if she had enough disposable income to repay the loans comfortably. So I can't say that it was wrong for Nextcredit to approve them.

But loan five was her fifth loan in four months. I think this should have alerted Nextcredit to ask further questions about Miss A's financial circumstances. I think it should have been concerned about a possible reliance on short-term lending and so looked at these in detail.

I've looked at Miss A's bank statements from the time to get this information, but Nextcredit could easily have asked Miss A for it. These show that Miss A was borrowing from other short term lenders and these repayments plus her normal outgoings exceeded her income.

Miss A was also gambling large amounts regularly. I think that if Nextcredit had known this it would, as a responsible lender, have declined loan five. So I think it was wrong to approve it.

my final decision

My final decision is that I uphold this complaint in part. I require Nextcredit Limited to do the following:

1. Refund Miss A the interest and charges she paid on loan five, adding interest at 8% simple per annum from the date of payment to the date of settlement.
2. HM Revenue & Customs requires Nextcredit to withhold income tax from that interest. It must give Miss A a certificate showing how much it's taken off if she asks for one.
3. Remove any adverse information relating to this loan from Miss A's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 2 October 2017.

Phillip Berechree
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