

complaint

Miss C complains that Cheque Centres Limited gave her unaffordable payday loans. She wants a refund of her interest, with interest, the outstanding balance waived and her credit file amended.

background

Miss C had five loans from Cheque Centres between April and September 2011. She said proper checks would have shown that the loans were unaffordable. So she thought Cheque Centres had been wrong to provide the loans. Cheque Centres said that it had made sufficient affordability checks and these showed that Miss C could afford her loans.

Our adjudicator didn't recommend that the complaint should be upheld. He thought Cheque Centres' affordability checks had been insufficient. But Miss C didn't provide her bank statements, so he couldn't see whether sufficient checks would have shown that she could afford the loans or not. So he couldn't say that Cheque Centres had been wrong to provide the loans.

Miss C replied that her credit report showed the extent of her debts and that this showed that Cheque Centres lent to her irresponsibly.

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 C's first loan was for £175 (£210.84 with interest). She deferred this loan once before repayment. She then borrowed and repaid the same amount. Loans three to five were for £280 (£343 with interest). Miss C deferred repayment of loan four once. She also deferred repayment of loan five before defaulting on it. A balance is still outstanding.

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

Cheque Centres said it asked for details of Miss C's income and expenditure and for her bank statements for the three months before her loans to verify her income. But unfortunately it isn't able to provide us with the information it collected apart from some statements.

From these, I can see that Miss C's monthly income was about £1,000 after tax. But I can't say that Cheque Centres' affordability checks were proportionate to the size of Miss C's loans or sufficient for it to make sure she could afford them. I'd expect it to check Miss C's income and expenditure on normal living costs and regular bills for loans one and two. For loan three, I'd expect it to also ask about her other short-term borrowing. And from loan four, I'd expect it to make full enquiries into Miss C's financial circumstances in case she was dependent on short-term lending.

But I can't say what Cheque Centres would have found if it had made sufficient checks. From the bank statements available, I can't see much evidence of Miss C's normal living costs. I can see that she was borrowing from other lenders, but I can't assess her outgoings for her regular or short-term loans. I can see that Miss C was gambling, but not the extent. So I can't see whether she was borrowing to fund her gambling.

Miss C has provided her credit file. From this I can see that she had one default six months before loan one. She also had two defaults during her borrowing from Cheque Centres. But Cheque Centres wasn't required to check her credit file. So I can't say that it would have seen these and so ask further questions or not lend to Miss C. I can see that Miss C was borrowing from other short-term lenders, but these accounts were opened after her last loan from Cheque Centres.

So, I think it's clear that Cheque Centres should have asked more questions about Miss C's finances before lending to her. But I can't say what sufficient checks would have found. So without evidence that Miss C couldn't afford the loans, I can't say that it was wrong for Cheque Centres to provide them.

my final decision

My final decision is that I don't uphold this account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 21 September 2017.

Phillip Berechree
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