

complaint

Mr W complains that Active Securities Limited, trading as 247Moneybox.com ("Moneybox") was irresponsible in that it lent money to him when he applied for loans.

background

Mr W says that prior to borrowing from Moneybox he had no disposable income as he had debts. Moneybox continued to lend to him without assessing affordability. Mr W says that he became stuck in a cycle of borrowing and grew dependent on the loans, that this affected his credit rating and caused him '*stress and worry*'. He says that '*he was constantly refinancing and the debt was growing*'. He needed to pay priority bills and '*struggled with day to day life*'. He needed to borrow from his family.

Moneybox, in its final response letter to Mr W's representative, offered to remove all references to each loan with the credit reference agencies. I do not know if Mr W or his representative responded to that offer but as the complaint has been brought to us it seems likely that he did not accept it.

Moneybox has said to us that it carried out the '*required assessments*' before lending. And Moneybox treated Mr W as a '*rational individual able to make a credible decision*' on his loans. Moneybox says that it is one of the businesses '*at the forefront of driving up lending and collection standards.*'

Our adjudicator looked at the evidence and the complaint and thought that Moneybox should make things right for Mr W in relation to each of the loans taken from January 2015 through to 23 September 2016 which on the table I have made below are Loans 4 to 16. Moneybox did not respond and so as the complaint remains unresolved it has been passed to me for a 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 taken into account the law, industry practice and any relevant regulations at the time.

On 1 April 2014 the Financial Conduct Authority (FCA) regulations applied and its Consumer Credit sourcebook (CONC) covers the rules for lenders about responsible lending. Among other things, the regulations say lenders should carry out affordability checks which are proportionate to the circumstances of the loan. And repayments should be sustainable, meaning repayable from the borrower's income or savings. Lenders should not allow a borrower to enter into consecutive credit agreements where it would be unsustainable to do so.

Using the information from Moneybox I have compiled a list of approved loans. It shows figures rounded up or down for ease. I have numbered the loans to use in this decision.

Loan number	Date of loan	amount	Amount repaid (rounded)	date closed
1	24 September 2014	£80	£142	31 October 2014
2	31 October 2014	£150	£227	28 November 2014
3	19 December 2014	£150	£257	30 January 2015
4	30 January 2015	£200	£246	27 February 2015
5	27 February 2015	£200	£253	31 March 2015
6	6 May 2015	£200	£238	29 May 2015
7	10 June 2015	£200	£234	30 June 2015
8	5 July 2015	£200	£243	31 July 2015
9	13 August 2015	£200	£226	28 August 2015
10	15 October 2015	£200	£275	30 November 2015
11	11 December 2015	£200	£234	31 December 2015
12	18 January 2016	£200	£267	29 February 2016
13	11 March 2016	£200	£234	31 March 2016
14	15 April 2016	£125	£172	31 May 2016
15	10 June 2016	£200	£280	29 July 2016
16	23 September 2016	£200	£262	31 October 2016

Mr W has given us copies of his bank statements and an explanation as to what his outgoings were. I have a copy of his personal credit report dated September 2017.

Moneybox has given us copies of the income and expenditure figures it says Mr W gave it during the applications and these commenced 5 May 2015 (just before Loan 6). Moneybox does not seem to have that information for any of the loans before May 2015. We have lists of the raw data from its credit searches dated 24 September 2014 and 31 October 2014 which would have been around the time Loans 1 and 2 were approved.

Looking at those credit searches I can see that several accounts with a 'default' status are shown going back some years. And cross referring to Mr W's personal credit file I can see that two accounts were for loans with other short term lenders (STL). One was in December 2011 and the other was a delinquent account in September 2014 and became a default account in 2015.

Loan 1

Mr W applied for Loan 1 in September 2014. I would have expected that Moneybox knew Mr W's income at least. It did not appear to have this. And with the information I have outlined above I do think that Moneybox ought to have done additional checks.

A fairly rudimentary set of checks and which I would consider proportionate would have been for Moneybox to know Mr W's income and outgoings to check that he could repay the loan. I have not seen anything to show me that Moneybox had details of Mr W's income or expenditure. If it had done that I think that Mr W was likely to have told Moneybox what he has told us: £589 for living costs and £100 to a catalogue and £300 to a debt management company (DMC).

Mr W has told us his income was just under £1,300. I can see this income figure on the bank statements I have for Mr W. So Mr W would have appeared to have had about £311 left over and so appeared to have been in a position to make the repayment on this loan. I do not to uphold Mr W's complaint in relation to Loan 1.

Loan 2

Loan 2 was applied for the day he repaid Loan 1 – 31 October 2014. He applied for almost double the amount of Loan 1. The repayment sum was going to be £227 which is a much larger repayment figure than the £142 needed for Loan 1. Moneybox carried out an additional credit bureau search on 31 October 2014, which showed accounts with ‘default’ and ‘delinquent’ status relatively recent to the search date, and an alert for ‘impaired credit’. Mr W’s credit search record at the time did show that there were concerns.

So considering the details Moneybox had about Mr W’s situation I would have expected it to carry out checks to ensure that he could repay the loan. I would have expected Moneybox to know his income, regular outgoings, regular financial commitments and any outstanding debts to other short term loan providers (STL). I do not think it did this. So I looked to see what Mr W’s situation was.

Mr W’s income and outgoings would have been about the same as I have outlined above. And looking at Mr W’s credit file it does not appear that he had any other STL debt at the time. So its likely Mr W may have had enough to repay Loan 2.

I do not uphold Mr W’s complaint in relation to Loan 2.

Loan 3

By the time Mr L was applying for Loan 3, and in view of what Moneybox knew about him, then at the least the same checks I considered to have been proportionate for Loan 2 ought to have been carried out for Loan 3. His income and expenditure seemed to have been much the same and his STL liability for the period with other lenders was nil. Mr W would have had about £311 left over to repay the £257 repayment for Loan 3 at end January 2015.

So in principle, had Moneybox carried out the proportionate checks at the time, I think that the loan may have appeared affordable.

I do not uphold Mr W’s complaint in relation to Loan 3.

Loan 4

In January 2015 Mr W increased the amount he applied for to £200 which was Loan 4. And he applied for it on the day he seems to have repaid Loan 3 (£257) so it looks as if Mr W may have been borrowing to repay borrowing which is a sign that he was not able to afford the original lending in the first place.

By this stage I would have expected Moneybox to have carried out a full review of his financial circumstances. It did not do that. And by a ‘full review’ I mean that Moneybox ought to have found out the details of his income and verified it, asked for details of his outgoings and regular financial commitments, other STL debts and any other aspects about Mr W’s financial situation pertinent to the required affordability assessment.

If Moneybox had it would have seen that Mr W had issues with regular transactions of a gambling nature. In reality I think that Mr W’s situation was such that his ability to repay may have been linked with his success or otherwise in relation to his gambling transactions. And I can see that our adjudicator addressed this element in his assessment earlier this year.

On balance, if Moneybox had carried out the checks I would have considered proportionate at the time, and in view of the credit search history it already had about Mr W, then I think it would have realised that Mr W was not in a position to be able to repay this debt.

I uphold Mr W's complaint in relation to Loan 4.

Loans 5 to 16

All the rest of the loans from Loan 5 onwards – 27 February 2015 – were for £200 apart from one in April 2016 which was for £125. So I have looked at Mr W's bank statements for 2015 and 2016 and taken into account his explanations on his use of cash to pay bills and I have seen his financial position. I have seen that Mr W increased his use of other lenders and appears to have increased the number of gambling transactions.

An example is that by the beginning of June 2015, including the repayment to Moneybox, Mr W had had to repay about £880 in loans to a number of lenders. At the beginning of July 2015 it was much the same. And with a monthly net income of about £1,300 then these were significant and would have used up most of his income before he had paid his usual living costs and regular financial commitments.

So for much the same reasons that our adjudicator has upheld the loans from 5 to 16 I have come to the same conclusions.

I uphold Mr W's complaint in relation to Loans 5 to 16.

putting things right

I uphold Mr W's complaint in relation to Loans 4 to 16 and direct that Active Securities Limited do as I have set out here:

1. repay the interest and any charges in relation to Loans 4 to 16; and
2. pay 8% simple interest* a year on all refunds from the date of payment by Mr W to the date of settlement by Active Securities Limited; and
3. if there is any negative payment information on Mr W's credit file about these loans, to remove it.

*HM Revenue & Customs requires Active Securities Limited to take off tax from this interest. It must give Mr W a certificate showing how much tax it's taken off if he asks for one.

my final decision

My final decision is that I uphold Mr W's complaint in part and direct that Active Securities Limited should do as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 15 September 2018.

Rachael Williams
ombudsman