

## **complaint**

Mrs K complains that CFO Lending Limited lent payday loans to her irresponsibly and this trapped her in a spiral of debt. She wants a refund of the interest and charges she paid on her loans, with interest.

## **background**

Mrs K took out four loans from CFO Lending within four months in 2013. She was unable to pay back the last loan and entered a debt management plan. She said CFO Lending shouldn't have given her the loans.

Our adjudicator recommended that the complaint should be upheld in part. She thought further checks should have been made before the last loan was approved. She thought these would have shown Mrs K's poor financial situation and that further loans were unaffordable. She recommended that CFO Lending refund the interest and charges on this loan, with interest, and remove it from Mrs K's credit file.

CFO Lending replied that it had been accommodating in allowing Mrs K time to repay her last loan. It didn't know that she was in financial difficulties. It said Mrs K had ample disposable income to repay her loans. It didn't conduct credit checks as it had already conducted satisfactory checks on affordability.

## **my findings**

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

Mrs K had four loans from CFO Lending in 2013. The first, in January, was for £190.00. This was repaid four days late and Mrs K incurred a late fee. Two weeks later, she borrowed £300.00. She wanted an increase on this, so the third loan for £350.00 was created three days later. This was deferred once.

A further 13 days later, Mrs K wanted to borrow more so this amount was transferred and a fourth loan for £590.00 created. With interest, the repayment was £802.40. This loan was taken within two months of the first loan being given. This last loan was deferred twice and Mrs K had two late fees. She eventually repaid it three years later.

Lenders are obliged to make sufficient and proportionate checks to make sure that loan repayments are affordable without undue hardship.

CFO Lending said it asked Mrs K for her monthly income, which was £1,700.00, and her expenditure, £463.00. This left her with a disposable income of £1,237.00. CFO Lending said it didn't carry out a credit check on Mrs K as this wasn't required at the time. It said she hadn't told it she was in financial difficulties.

I agree that it was for Mrs K to provide accurate information on her income and expenditure. Based on the information she provided, I agree that the checks on affordability that CFO Lending carried out were sufficient and proportionate for the size of her first loan.

But we'd expect a lender to be alert to any warning signs of financial difficulties that might trigger concerns about a dependency on payday lending or that further checks were needed.

CFO Lending has provided us with its records. I can see that Mrs K called it when she was unable to repay her first loan on time. She told it that her husband was taking out a loan and then she would make the payment. Mrs K deferred her third loan twice. Mrs K refinanced her loans twice, increasing the principal from £300.00 to £590.00. This was a sizeable increase made within a short time.

I think these were all warning signs that should have prompted CFO Lending to make further enquiries into Mrs K's situation to check that increasing her loan was affordable for her. I can't see that it did this. But it relied on just Mrs K's stated income and expenditure. I don't think this was reasonable or responsible.

CFO Lending could have checked, for example, Mrs K's credit file or her bank statements. Mrs K has provided these for us. A check on her credit file at the time she refinanced to take out her last loan would have shown a default and arrears on her credit card. A check on her bank statements would have shown Mrs K's dependency on payday loans and her addiction to gambling. She was constantly in her overdraft and incurring charges.

So I think that CFO Lending should have been prompted to make further checks when Mrs K asked to refinance her loan the last time. It didn't do this, but if it had then it would have seen that the last loan was unaffordable and so declined it. So I think this loan was lent irresponsibly. I think CFO Lending should refund Mrs K the interest and charges she paid for her fourth loan, with interest, and remove adverse information about it from her credit file.

### **my final decision**

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

1. Refund Mrs K the interest and charges she paid on her last loan, created on 28 February 2013, adding interest at 8% per annum from the date of payment to the date of settlement.
2. Remove adverse information relating to this loan from Mrs K's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 1 December 2016

Phillip Berechree  
**ombudsman**