

complaint

Mr A complains that Instant Cash Loans Limited (trading as Payday Express) gave him loans that he couldn't afford to repay.

background

Mr A was given four loans by Payday Express between April and October 2016. The loans were each repayable in instalments, loan 1 over two months, loans 2 and 3 over nine months and loan 4 over three months. All of the loans have been fully repaid. A summary of Mr A's borrowing from Payday Express is as follows;

Loan Number	Borrowing Date	Repayment Date	Loan Amount
1	09/04/2016	29/04/2016	£ 200
2	03/05/2016	12/07/2016	£ 500
3	22/08/2016	02/10/2016	£ 750
4	17/10/2016	31/10/2016	£ 100

Mr A's complaint has been assessed by one of our adjudicators. He thought that the checks Payday Express had done before agreeing each loan had been sufficient. And that those checks had indicated that Mr A was able to repay each loan in a sustainable manner. So he didn't think the complaint should be upheld.

Mr A didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Payday Express was required to lend responsibly. It needed to make checks to see whether Mr A could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr A was borrowing, and his lending history, but there was no set list of checks Payday Express had to do.

Payday Express has told us about the checks it did before lending to Mr A. Before each loan it asked him for details of his income, and his normal expenditure. It used this information, after adding an allowance for normal living costs, to calculate Mr A's disposable income. And Payday Express checked Mr A's credit file before lending to him. I've looked at the results from those credit checks and can't see any adverse indicators that I think should have caused additional concerns to the lender.

The information that Mr A gave to Payday Express suggested that he was earning between £1,400 and £1,500 over the time he was borrowing. And his disposable income, after taking account of the additional living costs that Payday Express added to the expenditure Mr A declared, ranged from £764 at the time of the first loan to £164 at the time of the last loan.

The highest repayment that Mr A needed to make was on loan 3 and totalled just over £156. His smallest repayment was on loan 4 and was just over £55.

As I said earlier, all of the loans Mr A took were scheduled to be repaid over a number of months. But Mr A repaid each of them early – the longest loan he had lasted for just over two months. This behaviour might have caused Payday Express some concerns. But on balance I don't think those concerns would have been sufficient to suggest that a greater level of checks would be proportionate.

I think that the checks Payday Express did before agreeing the loans were sufficient and proportionate. The amounts that Mr A needed to repay appeared to be sustainably affordable based on what he'd said about his finances. And as it was in the relatively early stages of its relationship with Mr A I think it was reasonable for Payday Express to rely on that information without undertaking additional checks.

I appreciate that Mr A says his financial position was actually much worse. He says he was borrowing from a number of other short term lenders, and was spending a considerable amount of money each month on what he describes as a "gambling addiction". But that wasn't something he told Payday Express about at the time. And I don't think it was something that what I consider to be proportionate checks would have uncovered either. So I don't think Payday Express was wrong to give any of the loans to Mr A.

my final decision

For the reasons given above, I don't uphold the complaint or make any award against Instant Cash Loans Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 26 October 2018.

Paul Reilly
ombudsman