

**complaint**

Mr F complains that Nextcredit Limited gave him loans he couldn't afford to repay.

**background**

Mr F took out the following loans with Nextcredit:

	date	£ amount borrowed/	no./amount of repayments	date repaid
1	10 November 2016	190	2/ c.120	30 December 2016
2	13 February 2017	300	4/ c.115	23 May 2017
3	10 July 2017	600	6/ 200	

Our adjudicator said Nextcredit carried out proportionate checks before lending to Mr F but that it shouldn't have given him loan three. That was because the information it would've seen from its credit check showed that Mr F couldn't afford to repay that loan and have enough money left for any other living costs that might arise before his next pay.

Nextcredit didn't agree with the adjudicator. It said:

- Mr F's loan repayments for loan three were £200, which it considered a low value loan.
- It carried out proportionate checks.
- It doesn't have access to the same information that Mr F can get from his credit report: it could see that Mr F was meeting his commitments when due.
- The adjudicator's calculations show that Mr F could afford the loan repayments.
- Mr F had no dependents and lived with his partner, who shared household costs.
- It was inappropriate to assume that Mr F was the main income provider.

**my provisional decision**

In May 2018, I sent both parties my provisional decision. I said I didn't think that Nextcredit had treated Mr F unfairly.

I said that when lending money to Mr F, Nextcredit was required to ensure he could repay the borrowing in a sustainable manner, without it adversely affecting his financial situation. A lender should obtain sufficient information to make an informed decision about the lending. It's for the lender to decide how it does this. The guidance and rules list a number of things each lender may wish to consider. Checks should be proportionate, based on things like the size of the loan, amongst other things.

I said that before agreeing to each loan, Nextcredit asked Mr F about his income, which it recorded as £866 a month, and his expenditure. It also carried out credit checks. It had provided us with the information it gathered as a result of the credit checks but it's not in an easily accessible form, so it's not entirely clear to me what information it got from those checks.

I thought that the checks Nextcredit carried out before each of the three loans were proportionate. In reaching that view, I took into account Mr F's income, his expenditure and the amount of the repayments.

Before loan one, Nextcredit concluded that Mr F had a monthly disposable income of £385. So, it appeared that he could afford the repayments of around £120 a month. Similarly, before loan two, Nextcredit concluded that Mr F had disposable income of around £300. Again, it appeared he could afford the repayments of around £115. The same applies to loan three, before which Nextcredit recorded that Mr F had disposable income of £345 as against repayments of £200.

I said that Nextcredit didn't have access to Mr F's credit file. The information it gathered from its credit check would have been more limited than the information available to Mr F. It wasn't clear to me that Nextcredit would have been aware from its credit check that Mr F had other short-term borrowing that made loan three unaffordable.

In addition, I listened to the phone calls between Nextcredit and Mr F before each loan. In each call, Nextcredit asked Mr F whether he had any other credit commitments, such as credit cards, loans, store cards and hire purchase. He replied that he didn't. In the particular circumstances here, I thought Nextcredit was entitled to rely on what Mr F said about his expenditure and credit commitments. I said that there are circumstances in which we'd expect a lender to do more than simply accept what a customer says. Given Mr F's pattern of borrowing and the level of the repayments, I don't think proportionate checks required Nextcredit to do more than it did.

I said I appreciated that Mr F now says that his expenditure was considerably more than he told Nextcredit and that he had a gambling problem. I didn't think that the proportionate checks Nextcredit carried out before each loan alerted it to those issues.

### **responses to my provisional decision**

Mr F didn't respond to my provisional decision. Nextcredit said it had nothing further to add.

### **my findings**

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

Neither Mr F nor Nextcredit has provided any fresh information or evidence in response to my provisional decision. I therefore find no basis to depart from my earlier conclusions. For the reasons set out above and in my provisional decision, I find that Nextcredit carried out proportionate checks before lending to Mr F and didn't treat him unfairly in lending to him.

**my final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 21 July 2018.

Louise Povey  
**ombudsman**