

complaint

Mr H says MYJAR Limited lent to him irresponsibly.

background

MYJAR provided Mr H with two instalment loans in 2016:

- Loan 1 for £550, repayable in six instalments of around £173. The loan was approved on 15 November and repaid early on 8 December.
- Loan 2 for £2,225, repayable in 12 instalments of around £339. The loan was approved on 20 December. I understand no payments were made towards this loan.

An adjudicator considered this complaint and didn't recommend it be upheld. Mr H didn't agree with this, so the complaint was passed to me to decide.

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 taken into account the law, good industry practice and any relevant regulations at the time.

Relevant regulations and guidance include the Financial Conduct Authority's (FCA) Consumer Credit sourcebook (CONC). CONC contains rules and guidance for lenders about responsible lending. Among other things, CONC says lenders should carry out affordability checks which are proportionate in the circumstances of the loan. The regulations also say repayments should be sustainable (i.e. repayable from the borrower's income or savings).

With this in mind, I've taken into account whether MYJAR did enough to check whether Mr H could repay the loans it approved. And if I think it didn't, I'll consider whether proportionate checks would've indicated that the loans were not affordable.

I think MYJAR did do enough to check whether Mr H could sustainably repay the first loan. It asked Mr H about his income and expenditure and Mr H told it his net monthly income was £4,000. MYJAR also asked some questions about Mr H's expenditure. He told it his monthly housing costs were £700, as were his monthly credit commitments and his 'other' monthly expenditure was £500. MYJAR also carried out credit checks.

So from the information Mr H provided, I think MYJAR reasonably decided that Mr H could afford the first loan. The instalments of around £173 would have appeared to fit comfortably within Mr H's budget. And I don't think MYJAR had reason to doubt what Mr H told it about his expenditure.

I think MYJAR ought to have done more to check whether the second loan was affordable. It carried out the same checks and Mr H provided it with very similar information about his income and outgoings. The main difference was that Mr H said his monthly credit repayments increased to £900 and his 'other' expenses decreased to £300. There was no net difference in Mr H's outgoings.

But I think MYJAR ought to have asked Mr H for a more detailed picture of his outgoings.

Mr H was borrowing about four times as much for loan 1, a loan with a six month term which he actually repaid in only 23 days. Then, just 12 days later, he went on to ask for a much larger amount.

That Mr H was in need of so much more money so soon after repaying MYJAR five months early could suggest he was running low on cash quite quickly. So I think it would've been proportionate for MYJAR to ask for more detail about his outgoings – including whether he had any other short-term commitments its credit checks might not have picked up. From what I've seen, MYJAR only asked Mr H about his regular monthly credit commitments.

Had MYJAR asked for more information, I think it still would have thought the second loan was affordable. From the information available to me, I think Mr H had one other short-term loan outstanding with a payment of £1,200. Adding this to Mr H's declared outgoings creates a total figure of £3,100. But this still leaves £900 to make the payments of £339 on loan 2. And the £1,200 doesn't appear to have been a regular commitment – but a one off payment. So MYJAR could have reasonably thought loan 2 was sustainably affordable.

Mr H says that if MYJAR had looked at his bank statements and carried out a credit check it would've seen lots of short-term borrowing from other lenders. He also says MYJAR would've seen multiple gambling transactions, which were funded by borrowing, and seen how much he was actually spending.

I don't think MYJAR needed to carry out checks like these. The regulator doesn't require that MYJAR check bank statements – although in some cases asking for proof of income and outgoings might be proportionate. But I don't think it would be fair to say checks like this would be proportionate in the circumstances of these loans. I think it was broadly reasonable for MYJAR to rely on what Mr H was telling it and I don't think the results of the credit checks it carried out ought to have caused it to ask Mr H for evidence of his income or expenditure.

Overall, I don't think MJAR acted unfairly or unreasonably when it lent to Mr H. So I do not uphold his complaint.

my final decision

I do not uphold this complaint against MYJAR Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 8 November 2018.

Matthew Bradford
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