

complaint

Mr A complains that Apfin Ltd (trading as cashasap.co.uk) was irresponsible in its lending to him.

background

Based on the information we have received, Mr A took out 12 loans with cashasap between May 2017 and October 2018.

Loan	Date	Repaid	Amount
1	20/05/2017	09/06/2017	£300.00
2	12/07/2017	14/07/2017	£300.00
3	19/07/2017	27/07/2017	£250.00
4	11/12/2017	18/12/2017	£322.00
5	26/12/2017	27/12/2018	£300.00
6	09/02/2018	10/05/2018	£299.00
7	13/02/2018	15/02/2018	£249.00
8	11/05/2018	31/05/2018	£297.00
9	16/06/2018	04/08/2018	£325.00
10	11/09/2018	11/09/2018	£295.00
11	13/09/2018	14/09/2018	£299.00
12	17/10/2018	26/10/2018	£250.00

Mr A says that cashasap kept accepting him for new loans and allowing him to roll over loans even though he was taking on new debt shortly after repaying existing debt. He says proper affordability checks weren't carried out and that had they been cashasap would have realised he had been refused credit on several occasions and that the loans weren't affordable.

Cashasap says that there were gaps between the loans, including a break of 137 days between loans three and four. It says Mr A provided information that he was living with his parents and that the income and expenditure information gathered at the time showed the loan repayments were affordable. It says that Mr A settled all of his loans early and didn't contact it to say he was in financial difficulties.

Mr A initially accepted an offer of goodwill from cashasap of £40 but then says that he rejected this offer before he received the money. Cashasap accepted that this complaint could be considered further by this service.

Our adjudicator upheld this complaint from loan three onwards. He said he hadn't seen enough evidence to say that the first two loans shouldn't have been provided. By loan three he thought that proportionate checks would most likely have shown Mr A was having problems managing his money. He said had further checks been carried out cashasap would have realised that Mr A was making a significant amount of gambling transactions. He thought that cashasap should have realised that loans three to six weren't sustainably affordable.

By loan seven, our adjudicator thought that Mr A's pattern of borrowing suggested he had become persistently reliant on short-term loans. Therefore he found this and subsequent loans were unsustainable.

Cashasap didn't accept our adjudicator's view. It said that Mr A's third loan was for a smaller amount than the second loan and was due to be repaid on the same date as his second loan. It said that Mr A repaid his larger loan early then took out a smaller loan to be repaid on the same date meaning he paid less interest. It said the gap of 137 days between loans three and four was significant and that loans four, five and six were for reducing amounts. It said based on the small cost of credit for loans five to seven there was no reason for concern regarding loan eight.

Cashasap said that it had been accepted that it was reasonable to provide loans one and two and that the interest due to be paid on these loans was higher than the total amount paid on all 12 loans combined. It said its approach provided flexibility for Mr A.

Cashasap offered to refund the interest and charges on loans nine to twelve. It calculated this as a refund of £141.66 which after reductions for tax and the £40 already paid meant a refund to Mr A of £113.68. This offer amount was put to Mr A although incorrect loan numbers were referenced. Mr A didn't accept the offer.

As this complaint hasn't been resolved it has been passed to me, an ombudsman, to issue a decision.

My provisional conclusions

I issued a provisional decision on this complaint. I concluded in summary:

- before the loans were provided, cashasap gathered information on Mr A's income and expenses;
- I thought the checks carried out before the first two loans were provided were sufficient. As these suggested the loans were affordable I didn't find that I had evidence to say the first two loans shouldn't have been provided;
- our adjudicator thought that further checks should have been carried out before the third loan was provided. But given the size of the repayments compared to Mr A's monthly income I found the checks carried out at this stage were reasonable and I didn't find that I could say this loan shouldn't have been provided;
- there was a gap between loan three being repaid and loan four being provided. I didn't find that his gap was sufficient for cashasap to conclude that Mr A's circumstances had changed therefore I treated all the loans as part of the same lending chain;

- given the repayment amounts due on loan four compared to Mr A's income and also given he repaid his previous loans early, I found the checks carried out before this loan was provided were reasonable. These didn't raise concerns about the affordability of the loan and so I didn't find I could say this loan shouldn't have been provided;
- by loan five I thought it would have been reasonable for cashasap to carry out a thorough review of Mr A's financial circumstances to ensure that lending to him was sustainable. Had this happened, I found that cashasap would have realised that Mr A was struggling to manage his money. I thought that cashasap should have realised that this loan wasn't sustainably affordable;
- by loan six, I thought that Mr A's pattern of borrowing suggested he had become persistently reliant on short term borrowing. Therefore I found that loan six onwards shouldn't have been provided.

I upheld this complaint from loan five onwards.

Both parties responded to my provisional decision saying that they had nothing further to add.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

As I set out in my provisional decision, cashasap needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure that Mr A could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Cashasap should fairly and reasonably have done more to establish that any lending was sustainable for a consumer. And there may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

As I concluded in my provisional decision, I think that the checks carried out before the first four loans were provided were proportionate. As these didn't raise concerns about the affordability of the loans I don't find I can say these loans shouldn't have been provided. However, by loan five I think further checks should have taken place. Had this happened, cashasap would have realised that Mr A was taking out loans with other short term loan providers and was making payments to gambling sites. Given this I think that cashasap should have realised that this loan wasn't sustainably affordable.

By loan six, I think that Mr A's pattern of borrowing suggested he had become persistently reliant on short term borrowing. He had taken out a number of loans and the amounts he

was borrowing hadn't decreased significantly. Therefore I find that loan six onwards shouldn't have been provided.

As no further information was provided in response to my provisional decision, my conclusions haven't changed and I uphold this complaint in regard to loans five to twelve.

my final decision

My final decision is that I uphold this complaint in regard to loans five to twelve. Apfin Ltd (trading as cashasap.co.uk) should:

- refund all interest and charges that Mr A paid on loans five to twelve less any refunds already made;
- pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- remove any negative information about loan five from Mr A's credit file;
- the number of loans taken from loan six means any information recorded about them is adverse. So all entries about loans six to twelve should be removed from Mr A's credit file.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 29 February 2020.

Jane Archer
ombudsman