

complaint

Mr T complains that Emergency Cash Limited (trading as Wizzcash.com) gave him unaffordable instalment loans. He wants a refund.

background

Mr T had four loans from Wizzcash.com between August 2017 and December 2017. He said he was gambling at the time and borrowing from a range of lenders to fund this. He thought Wizzcash.com had mis-sold him its loans. Wizzcash.com said it had carried out the affordability assessments required. It said these showed that the loans were affordable for Mr T.

Our adjudicator recommended that the complaint should be upheld in part. He thought Wizzcash.com's affordability checks had gone far enough for loans one to three. The repayments looked affordable compared to Mr T's stated income. He thought Mr T was left with enough disposable income to make the repayments after taking into account his declared expenditure and the results of a credit check. So he thought it was reasonable for Wizzcash.com to approve these three loans.

But the adjudicator thought Wizzcash.com should have asked Mr T about his other short-term borrowing for loan four. If it had, then he thought it would have seen that Mr T's existing commitments didn't leave him enough to repay loan four. So he thought Wizzcash.com had been wrong to approve it. And he thought Wizzcash.com should refund Mr T's interest and charges for loan four, with interest, and remove any related adverse information from his credit file.

Wizzcash.com replied that it had relied on the information Mr T provided and two checks on his credit record. It said these didn't show all his other borrowing when it approved the loan.

my findings

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

Mr T's loans were all to be repaid in three monthly instalments. The loans were taken in close sequence and didn't overlap so Mr T didn't have multiple repayments each month. Loan one was for £300 and the highest expected instalment was £139.10. Then loan two was for £200 (£88.38), three was for £300 (£133.63), and four was for £300 (£144.74). Mr T repaid all his loans.

Wizzcash.com was required to lend responsibly. It should have made checks to make sure Mr T could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr T was borrowing, and his lending history. But there was no set list of checks Wizzcash.com had to do.

Wizzcash.com said it asked Mr T about his monthly income and expenditure. And it checked his credit report for his other credit commitments. It said it added undeclared commitments to Mr T's expenditure. Mr T said he earned £1,800 a month.

I agree with the adjudicator that these checks went far enough for loans one to three. The amounts to be repaid each month looked affordable compared to Mr T's stated income and his stated expenditure. This was even with the undeclared commitments shown on Wizzcash.com's checks on his credit record. So I can't say it was wrong for Wizzcash.com to provide loans one to three.

But I also agree that the pattern and frequency of Mr T's borrowing should have prompted Wizzcash.com to ask further questions about Mr T's finances for loan four. This was his fourth loan in four months. The other loans had been repaid early, but Mr T had then borrowed again shortly afterwards.

I think Wizzcash.com should also have asked Mr T about his other short-term borrowing as well as his outgoings for his normal living expenses and regular commitments. This would check that he could afford to repay his loan sustainably.

I've looked at Mr T's bank statements from the time to get this information, but Wizzcash.com could easily have asked Mr T for it. Wizzcash.com said that its credit checks didn't show all Mr T's borrowing. But I can't see that it asked Mr T directly about his other short-term lending.

Wizzcash.com said it would have been inefficient for it to ask for Mr T's bank statements. This was because its credit check had shown that Mr T had more than one bank account. But, knowing this, it could have asked for all his account statements if it had so wished.

Wizzcash.com also said it was for Mr T to be honest in his statements. But I think it was for Wizzcash.com to ask him further questions if it had cause for concern. And I think the pattern and frequency of Mr T's borrowing should have prompted this from loan four.

From these bank statements I can see that Mr T had large existing short-term commitments when he asked for loan four. These, with his other expenditure, didn't leave him with enough to repay his loan four instalments. So I think that if Wizzcash.com had made proportionate and sufficient checks, it would have seen, as I have, that Mr T couldn't afford loan four. So I think it was wrong to approve it.

my final decision

My final decision is that I uphold this complaint in part. I require Emergency Cash Limited (trading as Wizzcash.com) to do the following:

1. Refund Mr T the interest and charges he paid on loan four, adding interest at 8% simple per annum from the date of payment to the date of settlement.
2. HM Revenue & Customs requires Wizzcash.com to withhold income tax from that interest. It must give Mr T a certificate showing how much it's taken off if he asks for one.
3. Remove any adverse information relating to this loan from Mr T's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 15 November 2018.

Phillip Berechree
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