

complaint

Mr H complains that Active Securities Limited (trading as 247 Money Box) didn't carry out proper affordability checks and irresponsibly granted him unaffordable payday loans. He says he was trapped in spiral of debt and sometimes had to borrow from other payday lenders. The loans shouldn't have been given. He wants a refund of interest and charges and his credit file amended.

background

247 Money Box said in its final response that it carried out the required assessments and can fully substantiate the information on which its lending decisions were made. As a gesture of goodwill it offered to remove all negative reporting made to credit reference agencies.

Our adjudicator didn't feel this complaint should be upheld as 247 Money Box wasn't wrong to lend to Mr H. She said:

- Mr H had three payday loans with 247 Money Box. The first in June 2016 was for £80 and it was repaid in July 2016. The second in July 2016 was for £150 and it was repaid in September 2016. The third loan was taken out in January 2016 for £150 and it was repaid in April 2016.
- 247 Money Box says it checked Mr H's income and normal living expenses including any regular financial commitments. These checks went far enough. These loans were for relatively low amounts in proportion to Mr H's declared income. He was a new customer and it was reasonable for 247 Money Box to rely on what he told it. Mr H appeared to have enough disposable income to sustainably repay these loans.
- There was nothing, including in 247 Money Box's credit search, to suggest it should've carried out more checks. It wasn't wrong of 247 Money Box to lend these loans to Mr H.

Mr H doesn't agree. He says that 247 Money Box should have done more checking of his finances given his borrowing pattern and then it would've seen he was reliant on these loans and using online gambling sites.

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 agree with the adjudicator's conclusions for the same reasons.

Before lending to Mr H 247 Money Box had to make sure each loan was affordable. There aren't set checks it had to carry out. But its checks should've been proportionate to things like – but not limited to – the size of the loan, the repayments and what it knew about him.

I agree that the checks 247 Money Box carried out on these loans went far enough. It asked about Mr H's income and expenditure. And it reasonably relied on the information he gave which showed he'd more than enough disposable income to afford the loans' repayments. It wasn't required to ask to see Mr H's bank statements or dig any deeper into Mr H's finances.

Looking at Mr H's borrowing pattern there is a significant gap between loans two and three. There isn't a pattern of increasing sequential borrowing and there was nothing to suggest Mr H was in difficulty and couldn't pay back what he had borrowed.

I think these checks were proportionate and it wasn't irresponsible of 247 Money Box to lend these three loans to Mr H as he suggests. Mr H told 247 Moneybox that he had between £1300 and £2000 disposable income each month. I agree with the adjudicator that they appeared affordable. They were for relatively small amounts and were a small proportion of Mr H's declared and disposable income.

I can understand why Mr H feels that 247 Moneybox needed to dig deeper and if he had continued to borrow I would have expected further checks to make sure that he wasn't dependent on payday loans. But based on Mr H's borrowing pattern I can't say that 247 should have been alerted to his difficulties.

Overall I don't see any compelling reason to change the proposed outcome in this case. I simply leave it to Mr H to decide if he now wants to accept 247 Money Box's offer to remove all negative reporting made to credit reference agencies.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 6 April 2018.

Emma Boothroyd
ombudsman