

complaint

Mr H complains that Uncle Buck Finance LLP lent him money he couldn't afford to repay.

background

Mr H took out five loans with Uncle Buck as follows:

No	date applied for loan	amount	instalments	Repayment date
1	9 June 2015	£100	3 @ £47	28 August 2015
2	1 September 2015	£300	3 @ £148	27 November 2015
3	21 December 2015	£500	3 @ £266	31 March 2016
4	3 October 2016	£400	3 @ £196	27 February 2017
5	7 June 2017	£400	3 @ £192	30 August 2017

Mr H says he borrowed significant sums from Uncle Buck. Mr H says he was a gambling addict and had been unemployed at times. Mr H thinks that it was irresponsible of Uncle Buck to agree to lend, particularly after he'd fallen into arrears with an earlier loan.

Mr H wants Uncle Buck to pay him compensation, remove the negative entries from his credit file and refund the last loan.

Before agreeing to lend each time, Uncle Buck asked Mr H for details of his net monthly income and outgoings. It recorded an income figure of £1,450 for loan one and £1,487 for the remainder of the loans. Mr H declared his monthly outgoings to be £600 for loan one, £755 for loans two and three and £900 for loans four and five.

Uncle Buck also carried out credit checks which it says didn't reveal anything of concern and didn't demonstrate a reliance by Mr H on short term lending.

The adjudicator didn't recommend that Mr H's complaint be upheld. He thought Uncle Buck did enough checks before agreeing loans one and two. The adjudicator thought the two loans appeared affordable.

The adjudicator thought that by loan three, Uncle Buck should've also asked Mr H about his other short term lending commitments. But as Mr H didn't have any at the time, the adjudicator didn't think this would've changed Uncle Buck's decision to lend.

There was a gap of more than six months between Mr H repaying loan three and taking out loan four and then a further gap between repaying loan four and asking for loan five. The adjudicator didn't think that Uncle Buck had reason to think that Mr H might be reliant on short term lending at this point so he thought its checks went far enough.

Mr H doesn't agree with everything that the adjudicator has said. Mr H does think that it was reasonable of Uncle Buck to agree loans one and two. Mr H thinks that by loan three, Uncle Buck could see a sustained pattern of repeat borrowing. Mr H thinks it was reasonable to expect Uncle Buck to consider his credit file, employment and affordability again.

Mr H says that despite there being a gap between repaying loan three and taking out loan four, he'd made several rejected attempts to borrow money from Uncle Buck. Mr H thinks that this should've prompted Uncle Buck to carry out a more thorough check again.

Finally, for loan five, Mr H points out that he didn't repay loan four in time. Mr H says he was in severe financial difficulties and doesn't consider it was reasonable of Uncle Buck to agree to lend.

my findings

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

Uncle Buck was required to make sure Mr H could repay any money that it lent to him. Any checks had to be proportionate to things such as the amount of the loan, the repayments and any borrowing history. But there wasn't a set list of checks it had to carry out.

loans one and two

I agree with the adjudicator's recommendation in relation to loans one and two. As Mr H appears to agree that it was reasonable of Uncle Buck to agree loans one and two, I don't consider I need to say anything further about them.

loan three

By this time, Uncle Buck could see a history of borrowing by Mr H. I think it was reasonable to expect Uncle Buck to ask about Mr H's other short term lending commitments in addition to his regular outgoings. As Uncle Buck hasn't given me evidence to suggest that it asked about Mr H's other short term loans, I don't think its checks were proportionate.

Just because I consider that Uncle Buck should've carried out further checks, doesn't necessarily mean that I must go on to uphold Mr H's complaint. I would need to be persuaded that if Uncle Buck had carried out the proportionate checks I think were reasonable, it would've discovered that Mr H couldn't afford some or all of the loan repayments.

Around the time that Mr H asked for loan three, I can only see one very small credit from another payday lender a few days before. Although Mr H was also using a revolving credit facility around the same time, it wasn't a short term loan. So even if Uncle Buck had asked Mr H specifically about his other short term lending commitments, I can't reasonably say that it would've said no to loan three.

loan four

I appreciate what Mr H says about the rejected loan applications. It looks as though Uncle Buck declined two applications that Mr H made in May 2016. Mr H's applications might have been unsuccessful for a number of reasons. For example, Uncle Buck says the debit card that Mr H provided at the time of the loan applications was due to expire during the period of the loan he applied for. And Mr H also declared a higher than usual monthly income. So I don't think I can say that just because Uncle Buck rejected two applications means that Uncle Buck should've performed additional checks when Mr H asked for loan four more than five months later.

When Mr H applied for loan four, Uncle Buck's credit check didn't show any defaults within the previous 12 months. And it only showed one account opened within the previous six months with no short term loans taken out in the previous six months.

Given the time between making the failed applications and asking to borrow again, I can't reasonably say that Uncle Buck should've been alerted to a possible dependency by Mr H on short term lending at this point. I think it was reasonable of Uncle Buck to agree to lend based on the information that Mr H gave and its own credit checks.

loan five

Mr H waited around three months after repaying loan four before asking Uncle Buck for loan five.

I understand what Mr H says about defaulting loan four. He thinks that this means that Uncle Buck should've done more to make sure he could afford to repay loan five.

Even if I was to accept this and say that Uncle Buck should've asked Mr H about his other short term lending commitments, I don't think it would've made a difference. This is because although Mr H had taken out a short term loan with a different lender earlier in 2017, Mr H had repaid this by the time he asked for loan five. And he didn't go on to borrow from the other payday lender until after he'd taken out loan five.

Throughout all of the time that Mr H was borrowing money from Uncle Buck, I don't think it was reasonable to expect Uncle Buck to independently verify the information that Mr H gave by asking to see bank statements for example. This means that Uncle Buck couldn't have known about Mr H's gambling addiction unless he'd disclosed it.

I appreciate that Mr H's financial situation was worse than he told Uncle Buck but I don't consider proportionate checks would've revealed this. It's for this reason that I'm not upholding Mr H's complaint. I understand that Mr H is likely to be disappointed and I'm sorry about this.

my final decision

My decision is that 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 23 February 2019.

Gemma Bowen
ombudsman