

complaint

Mr G complains that Active Securities Limited trading as 247 Moneybox lent him money that he couldn't afford to repay.

background

Mr G took out 13 loans with 247 Moneybox between June 2015 and May 2016. He doesn't think it carried out enough checks before agreeing to lend.

247 Moneybox didn't agree the lending was unaffordable. It recorded Mr G's net pay as being £1,200 with regular monthly outgoings, including credit commitments, of £700. 247 Moneybox said Mr G's credit score fell within the approved threshold.

Before we became involved, 247 Moneybox offered to pay Mr G £25 and remove the reporting it had made to the credit reference agencies.

The adjudicator thought Mr G's complaint should be upheld in part. He thought the lender carried out enough checks before agreeing loans one to three but not from the fourth loan onwards. By the fourth loan, he thought 247 Moneybox should've asked about Mr G's other short term lending commitments. And by the fifth loan, the adjudicator thought the lender should've carried out the fullest checks possible.

The adjudicator thought better checks would've shown Mr G owed money to a number of payday lenders and that he was gambling regularly. He recommended that 247 Moneybox refund all interest and charges paid on the fourth loan onwards. He asked the lender to pay simple interest of 8% a year on the refund and remove any negative information about the loans from Mr G's credit file.

247 Moneybox didn't agree to this recommendation saying it carried out adequate checks each time.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I agree with the adjudicator's recommendations.

Before agreeing to lend, 247 Moneybox should've made sure Mr G could afford to repay the borrowing. Any checks needed to be proportionate, taking account of various factors including the repayment amount and any borrowing history. But there wasn't a set list of checks it had to carry out.

loans one to three

I agree that 247 Moneybox's checks went far enough for these loans. It asked about Mr G's essential expenses and his income. Based on what Mr G told 247 Moneybox, it was reasonable to lend.

loan four

Mr G asked for his fourth loan at the end of September 2015. At this point it was his second loan that month. And it was for almost double the previous loan. I think this should've alerted 247 Moneybox to the possibility he was becoming reliant on short term loans. It should've tried to find out more about all of Mr G's debts, including any short term loans.

If 247 Moneybox had asked more questions, it would've realised Mr G was due to repay about £1,200 to various short term lenders in the same month. This meant he didn't have enough disposable income to repay the fourth loan.

loan 5 onwards

Mr G took this loan in October about 10 days after repaying the fourth loan. As I've already said, Mr G had borrowed money twice in September. I think 247 Moneybox should've been concerned that given the frequency of borrowing, Mr G might not have asked for the loan to meet an unexpected expense but rather to meet his normal living expenses.

It was reasonable to have expected Moneybox to establish the fullest understanding possible of Mr G's finances by checking his income and expenditure with evidence such as copies of bills, payslips or things like bank statements.

Mr G has given us bank statements for the period in question. These show that as well as borrowing from other short term lenders, he was gambling heavily and regularly. Even if Mr G had a small amount of disposable income at times, he was spending much more than this gambling each month and he was always heavily overdrawn. Mr G's financial situation didn't improve for the remainder of the time he borrowed from 247 Moneybox.

If 247 Moneybox had carried out what I consider would've been more proportionate checks from the fifth loan onwards it seems likely it would've realised the extent of Mr G's gambling habit. Barely a month went by without Mr G taking out a new loan, sometime twice in the same month. As a responsible lender, I wouldn't have expected 247 Moneybox to continue to lend money to Mr G.

To put things right 247 Moneybox should refund all interest and charges Mr G paid on the fourth loan onwards together with interest. It should also remove any negative information relating to these loans.

my final decision

My decision is that I uphold this complaint in part. To put things right, Active Securities Limited trading as 247 Moneybox should:

- Refund any interest and charges applied to the fourth loan onwards
- Add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement*
- Remove from Mr G's credit file, any negative information about the above loans and any records of searches it's done since he complained

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 6 October 2017.

*HM Revenue & Customs require 247 Moneybox to take off tax from this interest. 247 Moneybox must give Mr G a certificate showing how much tax it's taken off if he asks for one.

Gemma Bowen
ombudsman