

complaint

Mrs A complains that Active Securities Limited (trading as 247 Moneybox) gave her loans that she couldn't afford to repay.

background

Mrs A borrowed seven loans from 247 Moneybox between March and October 2013. Mrs A's repaid the first six loans but wasn't able to repay the last loan which is outstanding.

Mrs A's complaint has been assessed by one of our adjudicators. Our adjudicator thought that the checks 247 Moneybox did before agreeing loan 1 had been enough. But she thought more checks should have been done by 247 Moneybox for the remaining loans. She thought that better checks would have shown that loans 5 to 7 weren't affordable for Mrs A. So she asked 247 Moneybox to pay Mrs A some compensation.

247 Moneybox agreed with that assessment. Mrs A didn't agree and said in summary that better checks would have shown she couldn't afford loans 2 to 7 and her borrowing pattern and credit file should have alerted 247 Moneybox that she was struggling. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process. If Mrs A accepts my decision it is legally binding on both parties.

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've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

247 Moneybox was required to lend responsibly. It needed to make checks to see whether Mrs A could afford to pay back each loan before it lent to her. Those checks needed to be proportionate to things such as the amount Mrs A was borrowing, and her lending history, but there was no set list of checks 247 Moneybox had to do.

247 Moneybox has told us about the checks it did before agreeing the loans. For the first four loans it asked Mrs A for details of her income and for loans 5-7 it asked Mrs A about her normal expenditure. And it also checked Mrs A's credit file before agreeing some of the loans. Although the credit checks have been provided I can't see what they showed 247 Moneybox given the format of them.

The first loan that Mrs A took was relatively modest at £80 compared to the income that she had declared of £1200. At this stage in the lending relationship I agree with the adjudicator that it wasn't unreasonable to lend without doing any further checking.

Mrs A applied for loan 2 within a few days of repaying loan 1. I think that a short gap might suggest that there was a difficulty and I agree with the adjudicator that for subsequent loans 247 Moneybox should have asked Mrs A about her outgoings to check she could afford the credit.

Mrs A continued to borrow and at the point of loan 5 the amount she asked to borrow had increased significantly. This was now her fifth loan request in as many months. I think by now 247 Moneybox should have realised that it was unlikely that Mrs A's finances were as healthy as she was saying. I think the lender should have taken steps to independently verify

Mrs A's true financial position. And I think the same checks would have been proportionate for the last two loans. They were both taken very shortly after a previous loan had been repaid. And the amounts Mrs A asked to borrow remained consistently high in comparison to her declared income.

But although I don't think the checks 247 Moneybox did before agreeing loans 2-7 were sufficient, that in itself doesn't mean that Mrs A's complaint should succeed. I'd also need to be persuaded that what I consider to be proportionate checks would have shown 247 Moneybox that Mrs A couldn't sustainably afford those loans. So I've looked at Mrs A's bank statements, and what she's told us about her financial situation, to see what better checks would have shown 247 Moneybox.

Had 247 Moneybox asked about Mrs A's normal outgoings before agreeing loans 2-4 it would have concluded that she could afford these loans. I appreciate that Mrs A says that she was in a difficult situation and was gambling. This would only have become evident to 247 Moneybox on review of her bank statements and I don't think this was a proportionate check for loans 2-4. I say this because the amounts remained relatively low compared to Mrs A's income and although the borrowing was sequential Mrs A didn't seem to be in difficulty repaying at that stage. It is unlikely that Mrs A would have told 247 about the true state of her finances if it had asked her about her outgoings and so I can't say that better checking would have made a difference.

I know that Mrs A says her credit file would have showed defaults. This in itself isn't necessarily a reason not to lend. The credit file seen by the business is unlikely to have all of the information that is visible to Mrs A. The business didn't have to carry out a credit check but it should have taken into account information that it obtained as a result. On the basis of the information I have seen I can't say that the credit check should've prompted the business to carry out further checks.

However, as the borrowing went on I think that 247 Moneybox needed to do more and verify Mrs A's financial position. When Mrs A applied for her fifth loan for an increased amount it was no longer safe to rely on what she was saying about her finances. If 247 Moneybox had done this checking it would have seen that Mrs A was gambling and borrowing from other short term lenders and she didn't have enough money to repay her borrowing.

If 247 Moneybox had done what I consider to be proportionate checks before the final three loans I don't think it would have agreed to lend to Mrs A. So 247 Moneybox needs to pay her some compensation.

putting things right

I don't think 247 Moneybox should have agreed to lend to Mrs A loans 5 to 7 inclusive. So for each of those loans 247 Moneybox should;

- refund to Mrs A all interest and charges she's paid on loans 5-7, together with simple interest at the rate of 8% a year* from the date each such sum was paid until the date of settlement; and
- remove any negative information about these loans from Mrs A's credit file.
- write off any interest and charges that Mrs A hasn't paid;
- deduct any capital still owing from the compensation due;

If Active Securities Limited sold the remaining debt to a third party debt purchaser it should buy the debt back before doing what I've said above. If this isn't possible or it doesn't want to do this it should (in addition to the above if necessary):

- arrange to repay any portion of the sum due to the third party that is made up of interest and charges – including any added by the third party;
- refund Mrs A any interest and charges she has already paid to the third party plus 8% interest simple per annum on each amount from the date of payment to the date of settlement*;
- instruct the third party to remove any adverse information it may have recorded about the loan.

*HM Revenue & Customs requires 247 Moneybox to take off tax from this interest. 247 Moneybox must give Mrs A a certificate showing how much tax it's taken off if she asks for one.

my final decision

My final decision is that I partly uphold Mrs A's complaint and direct Active Securities Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 17 February 2019.

Emma Boothroyd
ombudsman