

complaint

Mr G complains MEM Consumer Finance Limited (trading as Payday UK) lent him money he couldn't afford to repay.

background

Mr G took out a loan for £200 with Payday UK in October 2013. Shortly after, Mr G entered in to a debt management plan (DMP). He says Payday UK was irresponsible to lend him the money.

An adjudicator initially upheld Mr G's complaint as she didn't think Payday UK's affordability checks were proportionate. She commented that although Payday UK said it asked for details of Mr G's monthly expenses, it recorded £0 against each entry. The adjudicator thought if Payday UK had carried out better checks, it would've seen Mr G couldn't afford the loan.

The adjudicator recommended Payday UK refund any interest and charges and pay interest on the refund. The adjudicator also asked Payday UK to remove any negative information about the loan from Mr G's credit file.

Payday UK didn't agree with the adjudicator's recommendation. It said Mr G told it he had monthly outgoings of £300 against an income of £1,700. This meant the loan repayment was affordable.

The adjudicator reconsidered her recommendation and agreed that Payday UK didn't do anything wrong.

Mr G was unhappy with the adjudicator's second recommendation. He asks why he would've given Payday UK the recorded disposable income figure. Mr G says his credit file showed he owed money to other payday lenders. He doesn't think Payday UK would've had any bank statements or pay slips.

When Mr G replied to the adjudicator's recommendation, he said Payday UK kept trying to take money from his bank account. Although this didn't form part of Mr G's original complaint, the adjudicator investigated this further. She didn't think Payday UK had acted unfairly as she couldn't find evidence that it continually tried to take money from his account. And she was satisfied once Mr G told Payday UK that he entered in to the DMP, it removed the payment authority from Mr G's account.

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 latest conclusions of the adjudicator.

In cases like this, where the evidence is inconclusive, I reach my decision on the balance of probabilities. That means I'll look at all the available evidence and decide what I think is most likely to have happened.

Payday UK was required to lend responsibly. It needed to check whether Mr G could afford to pay the loan back before it lent to him. These checks had to be proportionate to things such as the amount borrowed, the length of the agreement and any borrowing history. But there wasn't a set list of checks that Payday UK had to carry out

Payday UK has given us evidence showing it asked Mr G about his income and expenditure and carried out a credit check. Given the amount Mr G wanted to borrow, I think these checks were proportionate. Unless there was a reason to doubt the accuracy of what Mr G told Payday UK, it was entitled to rely on the information he gave.

Payday UK recorded Mr G's income as £1,700 with expenditure of £300. The income figure reduced to £1,400 the same day. I think this might reasonably have prompted Payday UK to carry out a further check such as asking for a payslip. But if it had, Mr G's actual monthly net income – including child tax credit – was nearer £1,550. So it still wouldn't have found the loan to be unaffordable.

Payday UK says it carried out a credit check but hasn't given me a copy. I can't be sure what the results would've shown. But I've looked at the credit file Mr G gave to us. It shows a couple of loans with other payday lenders in the months leading up to October 2013. I can't be sure these appeared on the search Payday UK carried out. But even if one or two of them did appear, the loans show as settled with a zero balance outstanding. I'm not persuaded Payday UK would've seen anything that should reasonably have stopped it agreeing to lend.

Mr G says I should take account of the fact Payday UK rejected his earlier loan application. I agree this might be a factor for a lender to consider. But in Mr G's case, he applied for a £400 loan in mid-September 2013. Payday UK went on to approve a loan for half this amount. It seems likely the reduced amount of the borrowing played a part in Payday UK's decision to lend.

I appreciate Mr G will be disappointed with my decision but I don't uphold his complaint.

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 G to accept or reject my decision before 7 August 2017.

Gemma Bowen
ombudsman