

complaint

Mr W complains that Western Circle Ltd gave him loans he couldn't afford to repay. An adviser is helping him to bring his complaint.

background

Mr W took out the following loans with Western Circle:

	date	£ amount borrowed	no./ £ amount of repayments at outset (rounded)	date repaid
1	9 February 2016	200	2/128	20 March 2016
2	18 April 2016	200	2/148	30 April 2016
3	25 August 2016	400	4/168	31 January 2017

Mr W says that during the time he borrowed from Western Circle, he had many other short-term loans. He says that Western Circle should have done more to check he could afford to repay these loans.

Our adjudicator didn't think Western Circle was wrong to lend to Mr W. She said it had carried out proportionate checks before doing so and the loans appeared to be affordable.

Mr W didn't agree with the adjudicator and asked that an ombudsman consider his complaint. His adviser said, in summary:

- The adjudicator hadn't taken into account that Mr W had many other loans with other short-term lenders during 2016.
- Mr W's credit report would have shown the large number of short-term loans and should have raised warning flags, which were ignored.
- Mr W had a gambling habit.
- We should look at the larger picture and not just that this lender gave him a small number of loans.

my findings

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

Before agreeing to lend to Mr W, Western Circle had to check each time that he could afford to make the repayments. The checks it did had to be proportionate. What's proportionate depends on things like the size of the loan repayments and the information it had about Mr W. There's no set list of the checks a lender should carry out.

Before agreeing to each of the loans, Western Circle asked Mr W about his monthly income, which it recorded as £1,500. It also asked him about his monthly outgoings, which it adjusted upwards, as it thought that some of Mr W's declared expenses were too low. It carried out credit checks before loans one and two.

I think the checks Western Circle carried out were proportionate. Before loans one and two, I think it was proportionate for Western Circle to ask about Mr W's income. That was the beginning of its lending relationship with Mr W and the repayments were modest as against Mr W's stated income. Loan three was for more than Mr W had borrowed before. I think proportionate checks before loan three included also asking Mr W about his normal monthly living costs and regular financial commitments.

Before each loan, Western Circle asked Mr W about his income and expenditure, including how much he paid for other credit and short-term loans. Before loans one and two, Mr W said he didn't pay anything for other credit or short-term loans. Before loan three Mr W said he paid a total of £221 a month in relation to credit and short-term loans. I think that Western Circle was entitled to rely on what Mr W said about his income and outgoings and it wasn't required to verify what he said. I note Mr W says he had a gambling habit but that wasn't apparent from the information he gave to Western Circle and, in the particular circumstances here, it wasn't obliged to look beyond what he said.

Mr W's first loan was for £200 and he had to repay it in two instalments of around £128. At the time of that loan, Western Circle recorded Mr W's adjusted disposable income as £815. So, it appeared that he could afford that loan. The position was similar for loan two.

Loan three was for twice the amount Mr W had previously borrowed from Western Circle but the repayments were over four months. His income, outgoings and disposable income were broadly similar to the position at the times of loans one and two. So, again, it appeared that Mr W could afford the repayment for loan three.

The information Western Circle gathered from its credit checks was more limited than the information Mr W can see from his own credit report. The credit checks showed other borrowing and a default. But I don't think the credit checks should have prompted Western Circle to do more than it did before deciding whether to lend to Mr W.

I'm sorry to disappoint Mr W but for the reasons I've set out above, I don't think Western Circle treated him unfairly.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 24 September 2018.

Louise Povey
ombudsman