

complaint

Mr E says Novaloans Ltd (trading as Cash4unow) irresponsibly lent to him.

background

This complaint is about four instalment loans Cash4unow provided to Mr E between June 2017 and July 2018. Mr E's borrowing history is as follows:

loan number	start date	loan amount	instalments	highest repayment	end date
1	01/06/2017	300	4	112.14	15/09/2017
2	27/09/2017	300	4	115.16	15/01/2018
3	19/01/2018	400	6	125.37	13/07/2018
4	27/07/2018	400	6	123.72	outstanding

Our adjudicator upheld Mr E's complaint and thought that proportionate checks would've shown that Mr E couldn't afford to sustainably repay loans 2 to 4 and Cash4unow shouldn't have lent him those loans. Cash4unow disagreed and the complaint was passed to me.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Cash4unow needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr E could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

The adjudicator didn't think Cash4unow was wrong to lend loan 1 to Mr E. From what I can see, Mr E hasn't disagreed with this finding and so I don't think this loan remains in dispute. I have focussed my decision on loans 2 to 4, as they remain in dispute.

Cash4unow has told this service the checks it carried out before lending any of the loans. It says it checked Mr E's income and expenses and also searched his credit file. Mr E's declared income was £1,620 and his expenses varied from £820 to £1,092. The credit check for loan 2 showed that Mr B was borrowing from other short term lenders and there was an outstanding balance on these other short term loans.

I can see that Cash4unow asked Mr E about his payday loan commitments when he applied for loan 2 and Mr E didn't declare that he was making any payments towards payday loans. I'd expect a lender to react to the information it sees about a consumer before lending. I think Cash4unow was aware at the time it lent this loan that Mr E's use of short term loans was increasing and so it should've reacted by verifying the information Mr E provided as there was an obvious discrepancy.

If Cash4unow took its checks further, it would likely have found that Mr E was borrowing from at least four other short term lenders and Cash4unow would've been aware that Mr E was likely having wider financial problems and would've struggled to repay the loan. In the circumstances, Cash4unow shouldn't have lent this loan.

By loan 3 Mr E had been borrowing from Cash4unow for around six months without any breaks and this was now his third loan. The loan amount for loan 3 was higher than any of his previous loans and he was due to be tied into repaying the loan for six months. I think by this point Cash4unow should've been looking to build a clear picture of Mr E's finances including verifying some the information he'd provided. I can't see that it did this so I don't think its checks for loans 3 went far enough.

Loan 4 was taken in similar circumstances to loan 3 and I think Cash4unow should also have been looking to build a clear picture of Mr E's circumstances before lending. And so I don't think it did enough before agreeing to lend this loan.

Had Cash4unow carried out proportionate checks before lending loans 3 and 4, it would've seen that Mr E was borrowing regularly from other short term lenders and he was also spending significantly on gambling transactions. For example in the month before loan 3 was approved, Mr E spent over £2,300 in gambling transactions and this was also the case when loan 4 was approved. Mr E's expensed outweighed his income.

This wasn't a sustainable position and as a responsible lender, it shouldn't have lent Mr E those loans.

So Cash4unow needs to put things right.

putting things right – what Cash4unow needs to do

- refund all interest and charges Mr E paid on loans 2 to 3;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement†;
- remove all interest and charges on loan 4 and treat all payments Mr E made towards loan 4 as repayments towards the principal amount,
- if there is still an outstanding balance after re-working loan 4 then the redress amount from the other loans may be used to repay this. If this results in a surplus then the surplus should be paid to Mr E with 8% simple interest. However if there is still an outstanding balance then Cash4unow should try to agree an affordable repayment plan with Mr E. Cash4unow can only make a deduction if it still owns the loan.
- remove any negative information about these loans from Mr E's credit file;

† HM Revenue & Customs requires Cash4unow to take off tax from this interest. Cash4unow must give Mr E a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons given above, I uphold Mr E's complaint partially and require Novaloans Ltd to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 14 November 2019.

Tola Oduola
ombudsman