

## **complaint**

Mr C has complained that MEM Consumer Finance Limited, trading as Payday UK, lent him money without doing proper checks to show that he could afford to repay it.

## **background**

In January and February 2013 Mr C took out three loans with Payday UK. He repaid the first two but ran into difficulty with the third. He made some payments and then made a complaint to Payday UK. It did not uphold the complaint. It said that it had complied with the 2010 guidance from the Office of Fair Trading (OFT) on irresponsible lending. However, it did offer to refund some interest and charges as a gesture of good will.

Mr C did not agree and referred his complaint to this service.

Our adjudicator felt that the complaint should be upheld. She said more checks could have been carried out to make sure the loans were affordable. A check of Mr C's disposable income would have shown that none of the loans were affordable. His disposable income was less than £50 per month and the loans ranged from £100 to £380.

Payday restated that the evidence available to it did not show that the loans were unaffordable and the checks had been completed in accordance with the OFT guidance.

So the complaint has been referred to me for a final decision.

## **my findings**

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

Payday UK feels that it has met the OFT guidance on irresponsible lending. And I agree that businesses have some choice about the affordability checks they carry out before making loans like these.

But if businesses don't carry out checks that would provide them with a better picture of someone's financial commitments, I believe they are accepting some risk that it may turn out that the customer couldn't afford the loans. And I'm satisfied that this is what has happened here.

I'm going to uphold Mr C's complaint. That's because I don't think Mr C could afford the loans he was taking out. A simple check of his income and expenditure would have shown that he couldn't afford them. So I don't think Payday acted responsibly when it lent him money in January and February 2013.

## **my final decision**

For these reasons, my final decision is to uphold Mr C's complaint. I instruct MEM Consumer Finance Limited, trading as Payday UK, to:

- Refund to Mr C all the interest and charges he paid on the three loans;

- Add 8% simple interest per year from the time Mr C paid the interest and charges until the date of settlement;

Under the rules of the Financial Ombudsman Service, I am required to ask Mr C to accept or reject my decision before 28 August 2015.

Keith Taylor  
**ombudsman**