

complaint

Mr M complains that Amigo Loans Ltd ("Amigo") lent to him irresponsibly as he couldn't afford the loans they provided. He had a gambling addiction at the time.

background

Mr M had four loans with Amigo, as follows:

1. £2,200 taken out in July 2012 and settled in July 2013
2. £2,500 taken out in August 2013 and settled the next month
3. £5,000 taken out in September 2013 and settled the same month
4. £6,00 taken out June 2017 and settled the next month

He says that none of these loans was affordable and Amigo shouldn't have provided them. He explained that he'd had a gambling addiction

Amigo disagreed. They said they hadn't been made aware of Mr M's gambling addiction. They said the loans had been guarantor loans and having reviewed the information they'd considered for each of the loans, they didn't think there was evidence to suggest any of them had been made irresponsibly. They explained that their loans were designed to help people who may have been turned down for loans elsewhere and may not have built up a good credit history. For each of the loans they said they'd completed an income and expenditure review with Mr M and his guarantor that suggested they both had sufficient disposable income to manage repayments. They said they'd sense checked the expenses Mr M said he had, to make sure they were consistent with national averages and they'd done the same with the salary information Mr M had provided. They were content that, in each case, they were consistent. They also explained that they'd considered aspects of Mr M's credit file but hadn't found any information to suggest he couldn't afford the loans they'd provided.

So Mr M referred his complaint to this service and our investigator took a look at the evidence. She listened to the calls Mr M had with Amigo when he set up the loans and she noted that the information he'd provided would've suggested he had sufficient disposable income to afford them. She noted that the advisor had considered other creditors and asked questions to clarify other lending. She paid particular attention to loans 2 and 3 as these were made within months of each other but she understood that Mr M had explained these loans were to pay off some of his creditors and she was satisfied that Amigo had given this due consideration and that overall, they hadn't lent irresponsibly.

But Mr M still disagreed. He said his income to debt ratio was high at the time and his financial situation was dangerous and he therefore asked for a final decision by an ombudsman.

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 know it will disappoint Mr M but I agree with the investigator's view. Please let me explain why.

Where the information I've got is incomplete, unclear or contradictory, as some of it is here I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Before agreeing to provide a loan a business should check that the loan is affordable. The type of checks which a business should carry out should be proportionate, so (for instance) a mortgage lender will ask for bank statements and payslips, but a catalogue offering a low credit limit doesn't have to go into so much detail.

In considering this complaint, I've looked at whether Amigo carried out proportionate checks, and at what information they had been given about Mr M's financial circumstances. The methods Amigo used to establish affordability were for them to decide but the practices and procedures they used had to be effective. And the depth of their analysis could be proportionate to the amount of money being requested.

Amigo have provided the information that they used when they established the loans and I can see that they relied on the facts Mr M had provided about his income and expenditure. Mr M had a responsibility to provide accurate information but I don't think it was essential for Amigo to check this information more than they did. They explained that they sense checked Mr M's income against national averages and did the same with his stated expenses. I've heard them clarifying some of this information in the calls I've listened to. This information seemed realistic and suggested that Mr M had a comfortable level of disposable income. They also completed a limited credit check that didn't identify problems and they can't have been expected to consider a gambling addiction if they hadn't been told about it.

I think Amigo would also have taken Mr M's payment history in to account. They'd have noticed that this was good. He paid three of his loans off the next month. So I think this would have supported their decision to provide loans three and four.

So I don't think there's evidence here that Amigo did anything wrong. The checks they performed were proportionate to the lending they were providing and I don't think there's evidence that would have suggested the lending was unaffordable.

my final decision

For the reasons I've given above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 December 2018.

Phil McMahon
ombudsman