

complaint

Mr E complains that Active Securities Limited (trading as 24/7 Money Box) was irresponsible to lend money to him.

background

I issued a provisional decision in February 2017 where I explained why I planned to uphold Mr E's complaint in part. An extract of this is attached and forms part of my final decision.

24/7 Money Box didn't agree with my provisional decision. It says in summary:

- It worked out the maximum Mr E could afford including a buffer for margins of error based on information he gave it about his expenditure. And it never lent him more than this figure.
- The information Mr E gave it about his monthly income and expenditure showed he had more than enough to repay all of the loans he took.
- When applying for each loan it asked Mr E to include information about other payday loans and levels of indebtedness.
- Mr E had a strong credit report.

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've thought about everything 24/7 Money Box has said. But I'm not persuaded to change my mind from my provisional decision.

I still don't think that 24/7 Money Box carried out appropriate affordability checks from the fourth loan onwards. 24/7 Money Box says the information it got from Mr E showed he had around £1,500 left over each month to cover his loan repayments. But Mr E's pattern of borrowing suggests to me that he didn't. He was borrowing more and more each month and taking new loans on the same day he'd paid off the previous one. If Mr E really had £1,500 available to him every month then why would he need to borrow so frequently and within such a short space of time after the previous loan?

There may have been a good reason for this. And that's why I've said 24/7 Money Box should've got a full understanding of Mr E's circumstances at that point. Getting bank statements was just one of many ways it could've done this. But ultimately if it had done this, I still think the true extent of Mr E's finances would've been revealed i.e. he was gambling large amounts, was taking other payday loans to fund it and couldn't sustainably afford the repayments on his loans.

I recognise 24/7 Money Box checked things like Mr E's credit file and confirmed his employment. And that it asked Mr E to declare any other payday loans he had. But 24/7 Money Box has itself highlighted the limitations of credit checking and how a credit file might not show certain loans. And I think that by the time of the fourth loan 24/7 Money Box should've been verifying Mr E's expenses anyway. So I don't think these things were enough to give 24/7 Money Box the kind of understanding of Mr E's circumstances that it would've been reasonable to have by then.

24/7 Money Box should refund all interest and charges that Mr E paid on the loans taken between 21 December 2012 and 24 August 2013 and remove any adverse information (such as defaults, late or missed payments) from his credit file.

my final decision

My final decision is that I uphold Mr E's complaint in part. To put things right Active Securities Limited should:

- refund any interest and charges applied to the loans taken between 21 December 2012 and 24 August 2013;
- add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement *;
- remove any adverse information recorded on Mr E's credit file in relation to the loans I am asking to be refunded.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 18 April 2017.

Michael Ball
ombudsman

extract of provisional decision

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 E, 24/7 Money Box had to check each time that he could afford to repay the loan. There is no set list of checks that 24/7 Money Box had to carry out. But the checks had to be proportionate to things like – but not limited to – the size of the loan, the repayments and what 24/7 Money Box knew about Mr E.

It looks like 24/7 Money Box asked Mr E about his net pay each time it lent to him and carried out its own form of credit check. It says Mr E told it his net monthly pay was £2,900 throughout the period it lent to him. It's said that from the eleventh loan onwards it asked for a more detailed breakdown of his outgoings and it's given us the figures it recorded.

24/7 Money Box has given us the results of its credit checks. They show a score based on a number of different variables such as the number of other credit accounts with late payments

and defaults. 24/7 Money Box says that Mr E's score was satisfactory each time it lent to him.

I agree with our adjudicator that these checks were appropriate for the first loan. The amount Mr E had to repay was a small chunk of his declared income and it was the first time he'd borrowed from 24/7 Money Box. I haven't seen the actual data that 24/7 Money Box received as part of its credit check, only the score it turned this data into. But from looking at Mr E's credit file, I don't think there was anything too alarming given the small sums involved with this loan.

Our adjudicator thought that Mr E's other payday lending would've been more apparent on his credit file before he asked for the second loan. So he said that 24/7 Money Box should've asked more detailed affordability questions of him from that point onwards. But looking at the extract of Mr E's credit file that he's given us I don't agree. There is some evidence of payday lending at the time – both historic and recent. But I can't be sure the latest loans would've been on Mr E's credit file at the time 24/7 Money Box did its credit check. For example sometimes it can take a number of weeks before a new loan account will show up on a credit file.

So I think at the point it agreed to the second loan, 24/7 Money Box could still rely on the information it had from Mr E. And even if it had got some more detailed information from him – such as his normal living expenses and regular credit commitments – I think it would've still agreed to the loan. For example the expenditure figures Mr E gave 24/7 Money Box towards the end of his borrowing with it showed that he still had enough money left over to repay the loan. I think it's likely he'd have given it similar information if it had asked him for it earlier. For this reason I think 24/7 Money Box would've still agreed to the third loan too.

However I think there was only so long that 24/7 Money Box could've relied on this kind of information before it should've started getting more from Mr E. By the time Mr E asked for his fourth loan, he'd borrowed from it in four consecutive months and was asking for almost double the amount he'd borrowed on the previous loan each time.

So I think the signs were there that Mr E's financial position wasn't as good as it seemed and it looks like he was possibly starting to rely on his borrowing with 24/7 Money Box to get by. And I think at that point 24/7 Money Box should've been looking to get a lot more information than it did about Mr E's finances so it could be satisfied the loan repayments were affordable for him. It could've done this by asking him for evidence of his expenses for example or by looking at his bank statements. And if it had done this I don't think it would've agreed to lend to Mr E any more.

Mr E's bank statements show that he had a number of other payday loans and had been gambling well in excess of his income. So he didn't have enough to make the loan repayments sustainably and had to borrow more to get by. This position looks like it barely improved for the remainder of the period Mr E borrowed from 24/7 Money Box and the amounts borrowed kept increasing in consecutive months after the fourth loan until he was borrowing around £600 every month – give or take a couple of occasions when he borrowed slightly less.

So, I think 24/7 Money Box should refund all interest and charges that Mr E paid from the loan taken on 21 December 2012 onwards.