

## Complaint

Ms L complains CASH ON GO LIMITED (trading as Peachy) lent to her irresponsibly.

## Background

Ms L took a single loan from Peachy on 4 April 2013, for £100. She was expected to repay £133 on 3 May 2013.

A day before she was due to make her repayment, Ms L sent a text message to request more time to repay her loan. Peachy did offer a loan extension/deferral service and it agreed Ms L could just pay the £33 interest she owed and then make her repayment on 31 May 2013.

But Ms L didn't repay her loan on 31 May 2013, instead paying it off three weeks later on 21 June 2013. Peachy added £1 interest to the loan per day after Ms L missed her repayment, and also added a £25 charge the day after she had been due to make the repayment, followed by four additional charges of £12 each, added on the 3<sup>rd</sup>, 7<sup>th</sup>, 14<sup>th</sup> and 21<sup>st</sup> days the account was overdue. Peachy referred to these charges as "penalties".

Ms L later complained Peachy had been irresponsible in lending to her. Peachy didn't uphold her complaint, so she brought it to this service for an independent assessment. One of our adjudicators looked into the complaint and concluded that although Peachy hadn't been wrong to lend to Ms L, it hadn't acted fairly in the way it had applied penalty charges to the account. Peachy disagreed and the case was passed to me to review.

Before writing this decision, I shared some preliminary findings with Peachy and Ms L, explaining that I didn't think Peachy should have given her the loan *at all*. Peachy said it didn't agree but that it would offer to refund all of the "penalties" it had charged Ms L. Ms L didn't want to accept that offer, so it now falls to me to decide the case.

## 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.

Peachy had to assess Ms L's applications for borrowing to check if she could afford to pay back the amounts she'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. It then had to assess whether, based on the information it had gathered from its proportionate checks – Ms L could afford to make her loan repayments sustainably. The regulator at the time Ms L applied for her loan had explained that repayments are sustainable if they're made from income or savings (and not from further borrowing), while maintaining existing financial commitments.

Peachy has said that because it was Ms L's first and only loan, it didn't think it could have acted incorrectly in lending to her a small amount of credit. I would tend to agree that where a borrower is seeking a small loan relative to their income, and they have not shown a tendency to return repeatedly for loans (which could indicate underlying difficulties), that proportionate checks would not necessarily need to be very detailed. But that doesn't mean that it will always be responsible to lend to someone in this situation. And if a lender decides to carry out checks of any kind, and receives information relevant to a potential borrower's ability to repay a proposed loan, then it should not simply ignore the information it receives. This is what Peachy appears to have done in Ms L's case.

One of the checks Peachy carried out before agreeing to give Ms L her loan, was to obtain a credit report on her from a well-known credit reference agency. I've seen this report and in my view it contains information which should have caused a responsible lender seriously to question whether it was responsible to lend to Ms L. The report appeared to show that Ms L had three payday loans outstanding elsewhere, and two of these loans were either in arrears or Ms L had deferred her repayments on them. She was also over her credit limits on her revolving credit accounts, and had opened nine accounts in the past six months. Taken together, these pieces of information suggest Ms L's financial situation was already unsustainable. She had exhausted her lines of mainstream credit and appeared to have become reliant on payday loans, which she was having problems repaying. I don't think it was responsible of Peachy to lend to Ms L in light of this information.

As I don't think Peachy should have given Ms L the loan to begin with, I don't need to make detailed findings on whether it was fair to charge her the amounts it did when she fell into arrears. I will say only that it does not appear to have been a very sympathetic way for Peachy to deal with what it should have identified (from the credit report it had seen, and Ms L's earlier request for more time to repay) as a likely case of financial difficulties.

### **Putting things right**

Peachy was wrong to give Ms L her loan, so it's not fair that she should have had to pay any interest, fees or charges on it, or have it affect her credit file in a negative way. So to put things right I direct Peachy to:

- A) Calculate a refund of all interest, fees and charges Ms L paid towards the loan.
- B) Add 8% simple interest\* to the amounts calculated in "A", calculated from the date Ms L originally made the payments in question, to the date the complaint is settled.
- C) Pay the total of "A" plus "B" to Ms L.
- D) Remove any remaining adverse information about the loan from Ms L's credit file.

\*HM Revenue & Customs requires Peachy to take tax off this interest. Peachy must give Ms L a certificate showing how much tax it's taken off, if Ms L asks for one.

**My final decision**

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 4 March 2020.

Will Culley  
**Ombudsman**