

## **complaint**

Miss S complains that Greenlight Credit Ltd has added unreasonably high charges to her fixed sum loan account, making it impossible for her to repay it.

## **background**

Miss S signed a fixed sum loan agreement in May 2014 using her car as security. She found it difficult to meet the repayments and there was still an amount outstanding at the end of the loan term. Greenlight refunded around £700 in charges to reduce the outstanding balance, agreed to a reduced payment arrangement, and stopped charging interest after the loan term had ended. But Miss S wants it to write off the remaining debt.

Our adjudicator recommended that the complaint should be upheld. She concluded that Greenlight should have done more to assess Miss S's creditworthiness by carrying out a credit check. Had it done so, she thought it would've seen the lending was inappropriate. The adjudicator recommended Greenlight refund all interest and charges, add interest at 8% and remove any adverse information from Miss S's credit file and HPI records.

Greenlight didn't agree. It said, in summary, that:

- The details of the loan were clear, fair and not misleading.
- It complied fully with its regulatory obligations to assess Miss S's creditworthiness, obtaining information that was appropriate and proportionate.

## **my findings**

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

Whilst I find that, on the face of it, Greenlight acted reasonably at the end of the loan term in extending the term and refunding charges, I agree with the adjudicator that it should have done more at the outset to check Miss S's creditworthiness. Had it done so, I don't think it would have offered the loan. Let me explain why.

When Miss S applied for the loan, Greenlight asked her for details of her monthly income and expenditure. Based on the figures she provided, she had a monthly surplus of £735 which appeared to be more than enough to meet the loan repayments of around £230. But I think Greenlight should have done more. It didn't question why Miss S needed a loan of £2,200 when she apparently had a reasonably large income surplus each month. Miss S had an outstanding loan with another lender of around £1,600 and she wanted to pay this off with the Greenlight loan. Again, I think Greenlight should have questioned why Miss S didn't repay this out of her surplus income.

I've considered this carefully and taken into account the loan wasn't large - £2,200 plus interest – and there's no list of required checks that Greenlight *had* to complete. The Financial Conduct Authority requires a lender to carry out "*sufficient*" checks and for these to be "*proportionate*" in all the circumstances. But I think, bearing in mind the questions raised above, Greenlight should have either sought evidence of Miss S's income and expenditure or her credit record. If it had asked for bank statements, it would've seen that Miss S was regularly spending beyond her means and that direct debits to various other lenders and suppliers were being returned. If it had checked her credit file, it would've seen that she had other commitments, including several pay day loans, and that defaults had been applied to her credit file. In either case, I think Greenlight would then have realised Miss S was unlikely to be able to afford the loan repayments.

Indeed, within a couple of months of the loan being agreed, the account had already been referred to the lender's "*repossession*" team because Miss S had failed to make the required payments. She then struggled to meet the monthly payments throughout the loan term.

I find that Greenlight wouldn't have lent to Miss S if it had carried out enough checks, proportionate to the circumstances. Miss S has had the benefit of the money lent, but I find that Greenlight should refund all interest and charges, plus 8% interest, and write off any further interest and charges. It should also remove any adverse information from Miss S's credit file and the HPI record.

### **my final decision**

My final decision is that I uphold this complaint. In full and final settlement, Greenlight Credit Ltd should:

1. Refund all interest and charges on the loan. Greenlight Credit must also pay interest on this amount at the simple rate of 8% per year from the date the interest was charged to the date it makes the payment. †
2. Write off any future interest and charges. The effect of 1 and 2 should be to ensure that Miss S only repays the principal sum she borrowed - £2,200.
3. Remove any adverse information about the account from Miss S's credit file.
4. Remove any information about the loan from the HPI records.

† HM Revenue & Customs requires Greenlight to take off tax from this interest. Greenlight must give Miss S a certificate showing how much tax it's taken off if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 10 July 2017.

Elizabeth Dawes  
**ombudsman**