

## The complaint

Mr E is complaining about 247 Money Group Limited trading as 247Money (247). He says they shouldn't have lent to him because the repayments weren't affordable.

## What happened

In May 2019, Mr E took out a hire purchase agreement with 247 to finance the purchase of a car. He paid a deposit of £300 and borrowed £4,600 – the cash price of the vehicle was £4,900. The agreement required Mr E to make 60 monthly repayments of £138.95.

Mr E complained to 247 in January 2023, saying they'd lent to him irresponsibly and shouldn't have given him the unaffordable loan. He said he'd had outstanding County Court Judgments (CCJs) and several defaults at the time of the agreement. And he said he had several other credit card debts as well as being regularly in his overdraft and close to the limit. Mr E said it should have been clear to 247 that he was relying on credit for his day to day living costs. He added that he'd had to take out further debts to prioritise his car repayments and received further CCJs on these.

In response, 247 said they'd checked Mr E's credit file and he met their lending criteria. So they'd obtained Mr E's most recent payslip and confirmed his monthly average income as £1,672. They said they'd carried out a telephone interview with Mr E to discuss his income and expenditure and credit commitments, as well as his CCJs. And they reviewed a 30-day bank statement, which suggested Mr E had a surplus of over £300. 247 added that Mr E had made payments on time until July 2020 when he asked for, and was granted, a payment holiday due to a change in circumstances. They said they'd then granted him a further payment holiday in November 2021 and he asked for a settlement figure in January 2022. They felt Mr E's payment profile supported the lending decision they'd made.

Mr E was unhappy with 247's response and brought his complaint to our service, adding that he'd kept up with payments to 247 but at significant detriment to his finances and his mental health.

One of our investigators looked into the matter but didn't uphold Mr E's complaint. He said he wasn't satisfied 247 had completed proportionate checks but he felt the agreement was likely affordable for Mr E and 247 could have fairly decided to lend to him.

Mr E appealed our investigator's view. He said our investigator hadn't considered the value of his debts as a proportion of his income. And he thought our investigator had made unreasonably low allowances for food and fuel when considering his income and expenditure. He asked for an ombudsman's decision – and the complaint came to me.

I issued a provisional decision on 18 October 2023. In that, I said:

*“The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.*

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

Did 247 carry out proportionate checks?

247 said they carried out the following checks:

- reviewed Mr E's credit file;
- checked his income to payslips;
- spoke with Mr E on the phone to confirm his monthly expenditure and discuss his credit commitments; and
- reviewed one month's bank statements.

247 haven't provided a copy of Mr E's credit file but they've told us it showed Mr E had two active credit cards, with balances totalling around £800. At the time of the application Mr E had recently missed one payment on one of these credit cards. On the call with Mr E, he told them 247 that this missed payment was due to a mix-up and was a one-off issue. It's clear from that call that 247 also found Mr E had some old defaults (all from 2017) and two CCJs, one dated 2016 and one dated 2018. Mr E assured 247 that these were again caused primarily by administrative issues – mainly changes of address. He told them he was paying around £200 per month across all of the defaults and CCJs.

I've looked at Mr E's copy of his credit report and I can see the total defaulted balance was around £2,500 and his 2018 CCJ was for £321. The date of the credit report means the 2016 CCJ is no longer reported. I can't see any other issues which might have indicated Mr E was in financial difficulties in 2019. And I think it was reasonable for 247 to have accepted Mr E's explanations of why his accounts had defaulted.

CONC says that it's not reasonable for a firm to rely on a customer's statement of their income without some sort of third party confirmation – but it has no corresponding guidance for expenditure. By implication therefore, I'm inclined to say it is reasonable for a firm to rely on a customer's statement of their own expenditure.

247 checked Mr E's income to third party documentation and asked Mr E how much he spent on each category of non-discretionary living expenses, other commitments (e.g. TV subscriptions) and credit commitments. I've listened to the phone call and I'm inclined to say it was a comprehensive assessment.

Finally, 247 looked at one month's bank statements. They've said Mr E was operating within his overdraft limit and there were no returned direct debits in the timeframe they looked at. I've looked at the statements for the same timeframe and also can't see any returned direct debits or other indicators that Mr E might be in financial difficulties or that it might be irresponsible to lend to him. The statements do show Mr E regularly made use of his arranged overdraft – but many people choose to manage their finances this way and on its own this wouldn't be enough to say 247 shouldn't have lent to Mr E.

In summary, 247 carried out comprehensive checks including an income and expenditure assessment based on third party evidenced income and Mr E's own assessment of his expenditure at the time. I'm inclined to say their checks were reasonable and proportionate.

### Did 247 make a fair lending decision?

*When 247 checked Mr E's income they said they used the year-to-date figure on his payslip and calculated a monthly average - but because it was an April payslip, there was no difference between the year to date and month's figures. The payslip included some weekend overtime – which Mr E told 247 he only worked occasionally. But the amount included for overtime (before tax) was only around £156, so I think it's reasonable to say Mr E would have earned at least £1,550 per month without any overtime.*

*Looking at the income and expenditure assessment 247 put together, I can see they mostly included the figures Mr E told them over the phone. The exceptions to this are as follows:*

- Utilities – Mr E told 247 his utilities totaled £180 per month and he contributed half, but 247 included the full £180 in the assessment.*
- Food shopping – Mr E told 247 he contributed half of the £200 per month cost – but 247 included £125 (rather than £100) in the assessment.*
- Travel costs - Mr E told 247 he contributed half of the £20 per week cost – but 247 included £86 per month in the assessment.*

*Each of these exceptions increased the estimate of Mr E's expenditure, reducing the risk of the loan being unaffordable. So I can't say it was unreasonable for 247 to increase these figures.*

*247 also included an estimate for the amount Mr E paid against his credit cards each month – they calculated this at 3% of the credit card balance at the time. I'm inclined to say 247 should have used a higher figure for Mr E's credit card repayments – at around 3% this doesn't appear to allow for Mr E repaying these amounts within a "reasonable time period" as required by CONC 5.2A.12R. I think a figure of around 5% would have been more appropriate. But this would only have increased 247's estimate of Mr E's total monthly expenditure by £16.*

*In total 247 estimated Mr E's total expenditure including credit repayments at around £1,340. As I've explained above, I'm inclined to say they should have increased this by £16, giving a figure of £1,356. And I think they should have used a figure of around £1,550 for his income. But that would still leave Mr E with net disposable income of around £200 per month to cover emergencies and discretionary spending. So I'm inclined to say 247 made a fair lending decision and I'm not inclined to uphold Mr E's complaint."*

### **What I've decided – and why**

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

Neither party responded to my provisional decision so my final decision is unchanged from those findings.

### **My final decision**

As I've explained above, I'm not upholding Mr E's complaint about 247 Money Group Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or

reject my decision before 13 December 2023.

Clare King  
**Ombudsman**