

Complaint

Mr S is unhappy The One Stop Money Shop (“One Stop Money”) provided him with a high-cost short-term credit instalment loan.

He says the loan was lent irresponsibly lent as if the lender had carried out reasonable checks it would have seen that the loan was not affordable for him.

Background

This complaint centres around the provision of a high-cost short-term credit instalment loan for £500, which One Stop Money provided to Mr S in December 2015. The loan was to be paid in nine monthly instalments of £107.64.

One of our adjudicators looked at Mr S’ complaint and she didn’t think that One Stop Money had done anything wrong or treated him unfairly. So she didn’t recommend the complaint be upheld.

Mr S disagreed with our adjudicator’s view of his complaint and asked for an ombudsman to look at his case at determine it.

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 the key relevant rules, guidance and good industry practice - on our website. I’ve referred to this when considering Mr S’ case.

Having carefully considered everything, I’m not upholding Mr S’ complaint. I’d like to explain the reasons for my decision in a bit more detail.

One Stop Money needed to make sure that it didn’t lend irresponsibly. In practice, what this means is One Stop Money needed to carry out proportionate checks to be able to understand whether Mr S could afford to make the repayments he was committing to before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

One Stop Money provided Mr S with a single loan which was due to be repaid in nine monthly instalments. From what I've seen, One Stop Money asked Mr S to confirm his monthly income and expenditure. It also carried out a credit search and requested a copy of Mr S' most recent payslip. The information recorded suggests the loan repayments were comfortably affordable.

Mr S says the information One Stop Money based its decision on didn't accurately reflect his actual financial position. He says he was significantly indebted and shouldn't have been lent to. He also says that proportionate checks would have shown this loan to be not affordable.

I've considered what the parties have said. It's fair to say that One Stop Money gathered quite a bit of information about Mr S and didn't simply rely on what he'd said before providing this loan. And while One Stop Money's records from the time do indicate that Mr S had a few accounts with significant adverse information. But these were historic and the amount Mr S owed didn't appear to be excessive compared to his declared income.

I also have to think about what Mr S has said in the context of this being an application for first loan. Mr S says notwithstanding what he entered about his circumstances at the time of his application this loan was not affordable and it shouldn't have been provided to him.

But the information that One Stop Money obtained from and about Mr S was not only plausible it was also consistent. And importantly there was nothing obvious within this information that ought to have clearly indicated to One Stop Money that its calculation of Mr S' disposable income (and therefore his ability to afford these payments) might have been overoptimistic.

Furthermore, I've not seen anything at all to indicate that One Stop Money carried out further checks such as obtaining open banking information. And I simply don't think that it would have been proportionate for One Stop Money to have carried out this degree of verification, or even what Mr S has suggested for its checks to be proportionate in this instance.

So, while I'm sorry to hear that Mr S has had difficulty repaying this loan, I think that One Stop Money was reasonably entitled to rely on the information it had been provided with and therefore its decision to lend wasn't unreasonable.

As this is the case, I don't think that One Stop Money did anything wrong when deciding to lend to Mr S - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. And I'm therefore not upholding Mr S' complaint. I appreciate this will be very disappointing for Mr S. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding this complaint, I'd like remind One Stop Money of its obligation to exercise forbearance and due consideration should it intend to collect on the outstanding balance on Mr S' loan and it be the case that he is experiencing financial difficulty.

My final decision

For the reasons I've explained, I'm not upholding Mr S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 3 January 2024.

Jeshen Narayanan

Ombudsman