

Complaint

Miss C complains that My Finance Club Limited (“MFC”) irresponsibly provided her with a payday loan. She says that she took out multiple loans on the same day while distressed and therefore she shouldn’t have been lent to.

Background

This complaint centres around the provision of a payday loan for £400, which MFC provided to Miss C in November 2022. The loan was to be repaid in January 2023 in a single payment of £521.60.

One of our adjudicators looked at Miss C’s complaint and she didn’t think that MFC had done anything wrong or treated her unfairly. So she didn’t recommend the complaint be upheld.

Miss C disagreed and asked for an ombudsman to look at her 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 the key relevant rules, guidance and good industry practice - on our website. I’ve referred to this when considering Miss C’s case.

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

MFC needed to make sure that it didn’t lend irresponsibly. In practice, what this means is MFC needed to carry out proportionate checks to be able to understand whether Miss C could afford to make the monthly repayments she 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.

MFC provided Miss C with a single loan which was due to be repaid in single payment of £521.60. From what I’ve seen, Miss C was asked to provide some information on her monthly income and expenditure. MFC verified some of the information Miss C by

requesting a payslip and a credit search that it carried out. In its view everything obtained showed that Miss C would be able to make the required repayment in January 2023.

Miss C says the information MFC based its decision on didn't accurately reflect her actual financial position. She's said that she took out multiple loans on the same day. I'm sorry to hear that Miss C was distressed at the time that she took this loan. But I have to think about what MFC did at the time of the application and what it knew about Miss C's circumstances at this stage not what it has been told since. And, while I sympathise with Miss C's circumstances, I don't think that MFC could possibly have known about the other loans she took on the day she took out this one.

I say this because MFC did carry out enquiries into Miss C's existing credit commitments – including loans – by carrying out credit checks. And these credit checks showed that Miss C didn't have much in the way of existing debt.

Furthermore, given the loans Miss C has referred to were provided on the same day as this one, MFC simply wasn't in a position to find out about them without Miss C volunteering this information. Miss C's credit file simply will not have updated quickly enough for the loans to show at this stage and even obtaining copies of bank statements, which I don't think MFC needed to do given what the information it gathered showed, won't have shown these loans either.

There is an argument that, in light of the amount of the payment required to repay this loan and the proportion of Miss C's income (highlighted in the payslip provided), MFC needed to find out more about Miss C's regular living expenses. So I've looked at the further information Miss C has now provided about her circumstances. And I don't think that there is anything in it which indicates that further checks into Miss C's regular living expenses would have shown the loan to be unaffordable. So while I'm sorry to hear about the difficulty Miss C has since had repaying this loan, I think that MFC's decision to lend wasn't unreasonable.

As this is the case, I don't think that MFC did anything wrong when deciding to lend to Miss C – carrying out further checks is unlikely to have shown that Miss C was unlikely to be able to afford the required payment in January 2023.

I can also see that Miss C has asked MFC to write off the outstanding balance on her loan due to health issues which have seen a reduction in income. MFC has refused to write off the loan and has instead limited the amount Miss C has to pay to the original amount due in January 2023.

It's important to note that once a lender is told that a borrower is experiencing financial difficulty, we'd expect it to exercise forbearance and due consideration in accordance with its regulatory obligations. Ultimately, we'd expect a lender to listen to a borrower, get an understanding of their circumstances and then assess the most appropriate way to move forward.

Having considered the content of the correspondence exchanged between Miss C and MFC, it's clear that Miss C offered to provide copies of bank statements when she initially asked for the balance to be written off. However, for whatever reason, Miss C hasn't provided MFC with this information and has instead provided payslips.

While the payslips Miss C provided do show a reduced income from the payslip provided at the time of the loan, the amount of the reduction doesn't in itself indicate that there is no reasonable prospect of Miss C ever being able to repay what she currently owes. Therefore, I don't think that it was unfair or unreasonable for MFC to request the bank statements

initially offered so that it can assess what, if anything, Miss C is able to pay. And I'm satisfied that its freezing off the current balance is an appropriate interim measure, pending Miss C sending the further information requested.

So at this stage I don't think that MFC's refusal to write off the outstanding balance on the loan is unfair at this stage. And I would encourage Miss C to get in contact with MFC and provide the requested information and also cooperate with it. MFC should also consider whether it is appropriate to continue pursuing any debt, or arrange a suitable repayment plan if and when Miss C provides the requested information.

Overall and having considered everything, I don't think that MFC treated Miss C unfairly or unreasonably when providing her with her loan or when learning of her difficulty repaying. So I'm not upholding Miss C's complaint. I appreciate this will be very disappointing for Miss C. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 28 December 2023.

Jeshen Narayanan
Ombudsman