DRN-4227498

The complaint

Miss B believes Mobile Money Limited ('MML') acted irresponsibly by agreeing 12 logbook loans she'd applied for.

Miss B is being represented in this complaint by Company A, a professional representative. However, for ease of reference, any comments or actions by either Miss B or Company A will be referred to as being made/done by Miss B.

What happened

Starting in March 2013, Miss B took out a series of logbook loans (loans secured against her car) with MML. These were:

Loan Number	Date Loan Started	Amount of Credit	Term (Months)	Weekly Payments	Date Loan Repaid
1	22 Mar 2013	£500.00	18	£22.00	12 Aug 2013
2	12 Aug 2013	£531.00	18	£23.00	7 Feb 2014
3	7 Feb 2014	£635.72	18	£27.00	26 April 2014
4	26 Apr 2014	£728.51	18	£31.00	2 Sep 2014
5	2 Sep 2014	£729.77	18	£25.34	8 Oct 2015
6	8 Oct 2015	£700.00	12	£21.00	25 Aug 2016
7	25 Aug 2016	£566.01	12	£16.00	26 Jan 2017
8	26 Jan 2017	£865.76	18	£25.69	5 July 2017
9	5 July 2017	£1,186.44	18	£34.50	11 Jan 2018
10	11 Jan 2018	£1,425.98	36	£34.48	26 Jun 2018
11	28 Jun 2018	£1,861.66	36	£45.02	10 Dec 2018
12	10 Dec 2018	£2,237.57	36	£54.11	N/A

Miss B has complained that MML didn't act responsibly when approving these loans, and she didn't think that they'd carried out sufficient verification and affordability checks. MML didn't think Miss B had complained about Loans 1 to 6 in time, as these were approved more than six years before her complaint was made. They also thought they'd carried out sufficient checks when Loans 7 to 12 were approved.

However, as a gesture of goodwill, MML offered to write off the outstanding £2,622.84 balance outstanding on Loan 12 and pay Miss B an additional £750. Miss B wasn't happy with this offer, so she brought her complaint to us for investigation.

On 17 August 2023 I issued a decision explaining why we couldn't consider Miss B's complaints about Loans 1 to 6. As such, this decision will deal with Loans 7 to 12 only.

Our investigator said that, by completing a full credit check, verifying Miss B's income, and carrying out detailed conversations with her about her income and expenditure, MML carried out reasonable and proportionate checks for each of Loans 7 to 12. He also said that MML had provided evidence of all these checks, which showed that Miss B had sufficient income to be able to sustainably afford each of the loans.

The investigator also considered repeat lending, and whether it was irresponsible to lend to Miss B many times over. And, after doing so, he didn't think that MML had acted unfairly, and he wouldn't be asking them to do anything more.

Miss B didn't agree with the investigator. She said that there were no significant gaps in the lending, and that this was detrimental to her. And she thinks that we should apply our *"well established approach"* to repeat lending and consider everything as a whole rather than each loan individually.

Because Miss B didn't agree with the investigator, this matter has been passed to me to make a final decision.

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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider in order to decide what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did MML complete reasonable and proportionate checks to satisfy itself that Miss B would be able to repay the credit in a sustainable way?

    a. if so, did MML make a fair lending decision?
    b. if not, would reasonable and proportionate checks have shown that Miss B could sustainably repay the borrowing?

2. Did MML act unfairly or unreasonably in some other way?

And, if I determine that MML didn't act fairly and reasonably when considering Miss B's application, I'll also consider what I think is a fair way to put things right.

<u>Did MML complete reasonable and proportionate checks to satisfy itself that Miss B would be able to repay the credit in a sustainable way?</u>

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

MML have said that, as part of every application for credit they receive, they undertake eligibility, creditworthiness, and affordability checks. And they do this by reviewing the customer's credit file and their monthly income and expenditure. They've evidenced they carried out these checks for Miss B.

So, based on what I've seen and MML's comments, I'm satisfied that MML were carrying out reasonable and proportionate checks.

<u>Did MML make fair lending decisions?</u>

<u>Loan 7</u>

In applying for Loan 7, Miss B repaid Loan 6 and borrowed an additional £500. In doing so, her weekly payment reduced by £5 (£21.67 a month).

MML haven't provided a copy of the credit check they carried out for Miss B when she applied for Loan 7, as this is no longer available. However, based on the credit files I have seen, I'm satisfied that, at the point of application, Miss B had five historic defaults, dated between October 2014 and December 2015. There were no County Court Judgements (CCJs). I wouldn't expect MML to decline any finance application just because there were defaults present. However, I would expect them to consider these as part of any overall lending and risk decision. Which, in this instance, is what MML did.

The budget planner MML completed confirmed Miss B's income as £366.40 a week (£1,575 a month), of which only 95% was used in any calculations. And MML have provided evidence that Miss B proved her income at this level. The notes on the budget planner show that an in-depth conversation about her income and expenditure took place with Miss B, and this included payments to the credit commitments showing on her credit file, as well as the defaults. The budget planner also lists the credit commitments MML found on Miss B's credit file.

As a result, and after taking all Miss B's discretionary and non-discretionary expenditure into consideration, the budget planner showed that Miss B had sufficient income to sustainably afford the payments to MML.

Given this, I'm satisfied that the lending decision MML made for Loan 7 was fair and reasonable in the circumstances.

<u>Loan 8</u>

In applying for Loan 8, Miss B repaid Loan 7 and borrowed an additional £500. In doing so, her weekly payment increased by £9.69 (£41.99 a month).

MML haven't provided a copy of the credit check they carried out for Miss B when she applied for Loan 8, as this is no longer available. However, based on the credit files I've seen, I'm satisfied that, at the point of application, Miss B had six historic defaults, dated between October 2014 and August 2016; and two CCJs, dated between September and December 2016. I wouldn't expect MML to decline any finance application just because there were defaults and/or CCJs present. However, I would expect them to consider these as part of any overall lending and risk decision. Which, in this instance, is what MML did.

The budget planner MML completed confirmed Miss B's income as £410.65 a week (£1,765 a month), of which only 95% was used in any calculations. And MML have provided evidence that Miss B proved her income at this level. The notes on the budget planner show that an in-depth conversation about her income and expenditure took place with Miss B, and this included payments to the credit commitments showing on her credit file, as well as the defaults and CCJs. The budget planner also lists the credit commitments MML found on Miss B's credit file.

As a result, and after taking all Miss B's discretionary and non-discretionary expenditure into consideration, the budget planner showed that Miss B had sufficient income to sustainably afford the payments to MML.

Given this, I'm satisfied that the lending decision MML made for Loan 8 was fair and reasonable in the circumstances.

<u>Loan 9</u>

In applying for Loan 9, Miss B repaid Loan 8 and borrowed an additional £500. In doing so, her weekly payment increased by £8.81 (£38.18 a month).

MML haven't provided a copy of the credit check they carried out for Miss B when she applied for Loan 9, as this is no longer available. However, based on the credit files I've seen, I'm satisfied that, at the point of application, Miss B had six historic defaults, dated between October 2014 and August 2016; and two CCJs, dated between September and December 2016. I wouldn't expect MML to decline any finance application just because there were defaults and/or CCJs present. However, I would expect them to consider these as part of any overall lending and risk decision. Which, in this instance, is what MML did.

The budget planner MML completed confirmed Miss B's income as £414.49 a week (£1,782 a month), of which only 95% was used in any calculations. And MML have provided evidence that Miss B proved her income at this level. The notes on the budget planner show that an in-depth conversation about her income and expenditure took place with Miss B, and this included payments to the credit commitments showing on her credit file, as well as the defaults and CCJs. The budget planner also lists the credit commitments MML found on Miss B's credit file.

As a result, and after taking all Miss B's discretionary and non-discretionary expenditure into consideration, the budget planner showed that Miss B had sufficient income to sustainably afford the payments to MML.

Given this, I'm satisfied that the lending decision MML made for Loan 9 was fair and reasonable in the circumstances.

<u>Loan 10</u>

In applying for Loan 10, Miss B repaid Loan 9 and borrowed an additional £500. In doing so, her weekly payment reduced by £0.02 (£0.09 a month).

MML have provided a copy of the credit check they carried out for Miss B when she applied for Loan 11. This showed that Miss B had 10 active credit accounts with a total outstanding balance of £4,847. This included £1,361 owing to MML, which was being repaid by this loan.

Miss B's credit file showed she had eight historic defaults, dated between October 2014 and October 2017; and two CCJs, dated between September and December 2016. I wouldn't expect MML to decline any finance application just because there were defaults and/or CCJs present. However, I would expect them to consider these as part of any overall lending and risk decision. Which, in this instance, is what MML did.

The budget planner MML completed confirmed Miss B's income as £1,500 a month, of which only 95% was used in any calculations. The notes on the budget planner show that an in-depth conversation about her income and expenditure took place with Miss B, and this included payments to the credit commitments showing on her credit file, as well as the defaults and CCJs.

As a result, and after taking all Miss B's discretionary and non-discretionary expenditure into consideration, the budget planner showed that Miss B had sufficient income to sustainably afford the payments to MML.

Given this, I'm satisfied that the lending decision MML made for Loan 10 was fair and reasonable in the circumstances.

<u>Loan 11</u>

In applying for Loan 11, Miss B repaid Loan 10 and borrowed an additional £500. In doing so, her weekly payment increased by £10.54 (£45.67 a month).

MML have provided a copy of the credit check they carried out for Miss B when she applied for Loan 11. This showed that Miss B had 13 active credit accounts with a total outstanding balance of £8,384. This included £1,737 owing to MML, which was being repaid by this loan.

Miss B's credit file showed that she had eight historic defaults, dated between October 2014 and October 2017; and three CCJs, dated between September 2016 and May 2018. I wouldn't expect MML to decline any finance application just because there were defaults and/or CCJs present. However, I would expect them to consider these as part of any overall lending and risk decision. Which, in this instance, is what MML did.

The budget planner MML completed confirmed Miss B's income as £311.28 a week (£1,347 a month), of which only 95% was used in any calculations. And MML have provided evidence that Miss B proved her income at this level. The notes on the budget planner show that an in-depth conversation about her income and expenditure took place with Miss B, and this included payments to the credit commitments showing on her credit file, as well as the defaults and CCJs.

As a result, and after taking all Miss B's discretionary and non-discretionary expenditure into consideration, the budget planner showed that Miss B had sufficient income to sustainably afford the payments to MML.

Given this, I'm satisfied that the lending decision MML made for Loan 11 was fair and reasonable in the circumstances.

<u>Loan 12</u>

In applying for Loan 12, Miss B repaid Loan 11 and borrowed an additional £500. In doing so, her weekly payment increased by £9.09 (£39.39 a month).

MML have provided a copy of the credit check they carried out for Miss B when she applied for Loan 12. This showed that Miss B had 13 active credit accounts with a total outstanding balance of £5,540. This included £1,361 owing to MML, which was being repaid by this loan.

Miss B's credit file showed that she had nine historic defaults, dated between October 2014 and June 2018; and five CCJs, dated between September 2016 and August 2018. I wouldn't expect MML to decline any finance application just because there were defaults and/or CCJs present. However, I would expect them to consider these as part of any overall lending and risk decision. Which, in this instance, is what MML did.

The budget planner MML completed confirmed Miss B's income as £410.59 a week (£1,765 a month), of which only 95% was used in any calculations. And MML have provided evidence that Miss B proved her income at this level. The notes on the budget planner show that an in-depth conversation about her income and expenditure took place with Miss B, and this included payments to the credit commitments showing on her credit file, as well as the defaults and CCJs.

As a result, and after taking all Miss B's discretionary and non-discretionary expenditure into consideration, the budget planner showed that Miss B had sufficient income to sustainably afford the payments to MML.

Given this, I’m satisfied that the lending decision MML made for Loan 12 was fair and reasonable in the circumstances.

Did MML act unfairly or unreasonably in some other way?

Miss B has raised the issue of repeat lending, which I’ve considered as part of my decision. However, repeat lending isn’t automatically unfair, and Miss B hasn’t provided me with any evidence to show that it was.

When Miss B took out Loan 7, there was less than one month’s payment outstanding on Loan 6. And she chose to roll this over into Loan 7, rather than waiting a month or more before taking out any new lending. What’s more, in taking out Loan 7 (which I note was over the same term as Loan 6, and over a lower term than Loans 1 to 5), Miss B reduced her payments by £5 a week.

Given this, I’m satisfied that with Loan 7 Miss B was, to all intents and purposes, starting a fresh set of lending that was entirely separate to Loans 1 to 6.

Loan 7 was approved in August 2016 and, between then and October 2018, Miss B refinanced with MML a further five times, borrowing an additional £500 on each occasion. So, over a period of just over two years, Miss M borrowed a total of £3,000 from MML, and saw her weekly payments increase from £16 to £54.11 over this period. As I’ve said above, each additional £500 lent was done so fairly, and with Miss B having demonstrated that the payment increase was sustainably affordable for her.

But, in situations like this, I need to consider whether MML ought to have gathered that any further credit was unsustainable, or even harmful. And, where MML should’ve seen there was no reasonable prospect of Miss M repaying what she already owed, let alone any new borrowing, then it’s reasonable for me to conclude that lending was provided unfairly.

When considering all the lending as a whole, it can be seen that Miss B was increasing her monthly expenditure, at a time when the number of defaults and CCJs she had was also increasing. But her monthly income was also increasing over this period, and affordability wasn’t in question. And, as I’ve said, her particular circumstances were fully discussed with her before each loan was approved. As such, in this instance, I’m satisfied that MML did take everything into consideration, and I don’t think that, by approving the loans, MML acted unfairly or unreasonably in some other way.

However, notwithstanding this, MML have offered to write-off the outstanding balance on Loan 12 and pay Miss B an additional £750. And it’s for Miss B to decide whether to accept this offer or not.

My final decision

For the reasons explained above I don’t uphold Miss B’s complaint about Mobile Money Limited.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss B to accept or reject my decision before 18 September 2023.

Andrew Burford
Ombudsman