

The complaint

Mr C complains The One Stop Money Shop Limited (One Stop) gave him a loan without carrying out proportionate affordability checks.

In addition, Mr C also complains about a number of service issues including One Stop taking the incorrect amount from his bank and then be spoken to in an unprofessional manner by a manager. Mr C's bank account from which the direct debit was due to be paid was closed, and so no further payments were taken which led to a default being applied. Mr C says he didn't receive the default notice. Finally, Mr C questions the amount of interest that was to be charged on the loan.

What happened

Mr C took one loan from One Stop for £400 on 22 April 2022. Mr C was due to make five monthly repayments of £128.33. Mr C has had some problems repaying his loan and One Stop says a default notice has been issued – although it hasn't yet recorded this with the credit reference agencies. It also says there is an agreement in place for Mr C to pay it £10 per month towards the balance.

Mr C complained to One Stop on 29 June 2022, and it responded with a final response letter dated 18 July 2022. In summary, it said it had carried out proportionate checks which showed the loan was affordable. Mr C didn't agree and instead referred the complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator who didn't uphold it. She concluded the checks carried out by One Stop were proportionate which demonstrated the loan to be affordable. She also concluded there wasn't anything in the information it received that would've prompted it to have carried out further checks.

In addition, she explained why the interest was in line with the industry wide cost cap, she understood Mr C's concerns about the contact but couldn't really go into any more detail because the call wasn't recorded. She also didn't think an error had been made when a payment was taken by One Stop.

Mr C didn't agree with the outcome and asked for a final decision. As no agreement could be reached the complaint has been passed to me for a 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.

I've split this decision into two sections, the first part deals with One Stop's decision to provide the loan. The second part deals with the additional complaint points Mr C raised.

We've set out our general approach to complaints about short-term lending - including all the relevant rules, guidance and good industry practice - on our website.

One Stop had to assess the lending to check if Mr C could afford to pay back the amount he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. One Stop's checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr C's income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest One Stop should have done more to establish that any lending was sustainable for Mr C. These factors include:

- Mr C having a low income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- The amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Mr C having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr C coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Mr C.

One Stop was required to establish whether Mr C could sustainably repay the loan – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr C was able to repay his loan sustainably. But it doesn't automatically follow that this is the case.

Industry regulations say that payments are sustainable if they are made without undue difficulties and in particular, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr C's complaint.

One Stop has shown, that as part of the affordability assessment it asked Mr C for details of his income and expenditure. Mr C declared his income was £4,100 per month and One Stop verified this amount by a review Mr C's wage slip from March 2022 which showed that Mr C in that month earned £4,118. It was therefore reasonable of One Stop to have relied on the income information Mr C declared.

Mr C declared monthly outgoings of £2,610 covering a number of different variables including rent, council tax, utilities, credit commitments and other – to name a few. As this was the first loan Mr C had taken from One Stop, at this point in time, it was reasonable for it to have relied on the information given to it by Mr C.

Before the loan was approved One Stop also carried out a credit search and it has provided the Financial Ombudsman with a copy of the results it received from the credit reference agency. I want to add that although One Stop carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard. But what

One Stop couldn't do, is carry out a credit search and then not react to the to the information it received – if necessary.

Having reviewed the credit check results for the loan, there isn't anything that would've indicated that Mr C was having current financial difficulties. One Stop did know about five defaulted accounts, but these were all defaulted several years before the loan was advanced, so it was reasonable for One Stop to not have been too concerned by them.

In addition, Mr C had total debt of £5,301 – with loan payments of around £208 per month and these accounts were up to date. One Stop also knew Mr C had three credit card accounts that didn't have any missed payment markers on them.

In my view, there wasn't anything, solely from the credit check results that ought to have led One Stop to either have carried out further checks such as reviewing bank statements or prompted it to have declined Mr C's application for credit.

There was also nothing else in the information that I've seen that would've led One Stop to believe that it needed to go further with its checks – such as verifying his outgoings. So, while Mr C has said some of his expenditure had been underdeclared, One Stop wasn't aware of this at the time, by carrying out what I consider to be a proportionate check. And as I've said above, One Stop could've reasonably relied on the information Mr C had provided.

Given it was early on in the lending relationship, I think it was reasonable for One Stop to have relied on the information Mr C provided which showed he had sufficient disposable income to afford the repayments he was committed to making. There also wasn't anything else to suggest that Mr C was having financial difficulties or that the loan repayments would be unsustainable for him.

I'm therefore not upholding Mr C's complaint about the lending decision.

Other considerations

I appreciate why Mr C feels the interest that One Stop was going to charge him to repay the loan was too high. Since 2015, there has, for these types of loan been a cost cap that was put in place by the industry regulator.

In summary a lender can't charge a consumer more than 100% more in interest fees and / or charges than the amount borrowed. In this case, Mr C borrowed £400 and so the maximum amount One Stop can collect – under the cost cap is £800. The credit agreement explained that £769.98 was what Mr C had to repay if he repaid the loan in line with the payment schedule. As this was under the cost cap, I can't say that One Stop has made an error with the interest rate that it has charged.

Mr C has also said; *"You have taken money from my bank without consent of my card details, you have refused to contact the bank to cancel the payment"*. Having looked at the loan application process One Stop says part of that would've been a requirement to complete a direct debit mandate form. And contained within the direct debit mandate form provided by One Stop says;

"Signing this authority also allows us to process automated card payments if needed – only if you have previously provided us with the required details".

One Stop has explained that in June 2022 the direct debit mandate failed and as a result it took the payment through the card details it had been provided with. However, One Stop has explained that this payment was refunded in July 2022 – and I can see this from the system

notes it has provided. One Stop also says a Chargeback was applied for by Mr C which was also refunded. So, even if there was an error in taking the payment – to be clear I am not concluding this, the funds have already been refunded to Mr C. So, I say no more about this.

I also appreciate that Mr C says he hasn't received a default notice that One Stop says was sent. Payments haven't been made for a number of months – which seems to be as a result of the complaint being with the Financial Ombudsman - but even before the complaint was referred here, payments hadn't been made in line with the credit agreement.

Ultimately, as Mr C hasn't made payments in line with the credit agreement he agreed to when he took the loan, One Stop is entitled to record an accurate reflection of how he may repay the loan, and this is in line with good industry practice as outlined by the Information Commissioner's Office.

Finally, it's clear from Mr C's complaint email that he was unhappy with the way he says he was spoken to on the phone. One Stop has already explained that calls aren't recorded and this means, I can't say or know for sure exactly what happened.

However, I also have to acknowledge that in the final response letter, One Stop says that perhaps some "colloquialisms" filtered through to a call – and it apologised for this. Unfortunately, as there is no further evidence, I can't fairly make an award against One Stop.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 1 August 2023.

Robert Walker
Ombudsman