

Complaint

Miss M has complained that Match the Cash Limited (“Match the Cash”) trading as www.guarantorloan.co.uk unfairly brought about unaffordable guarantor loans for her. She says that reasonable checks would have shown that she shouldn’t have been lent to.

Background

Match the Cash operated the electronic system in relation to lending which led to Miss M being provided with guarantor loans in June 2016 and February 2017. Loan 1 was for £4,000.00. The loan had a 60-month term and an APR of 74.18%. This meant that the total amount of £11,556.80, which included interest, fees and charges of £7,556.80, was due to be repaid in 60 monthly instalments of £192.78. This loan was repaid in February 2017 with some of the proceeds from loan 2.

Loan 2 was for £5,000.00. The loan had a 48-month term and an APR of 69%. This meant that the total amount of £12,226.56, which included interest, fees and charges of £7,226.56, was due to be repaid in 48 monthly instalments of £254.72.

Miss M’s complaint was reviewed by one of our investigators. He thought that Match the Cash unfairly approved Miss M’s loans. So he upheld the complaint. As Match the Cash disagreed with our investigator’s view, the complaint was passed to an ombudsman for a final decision.

My findings

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

Preliminary matters

Match the Cash has suggested we can’t look at Miss M’s complaint about loan 1 as she complained more than six years after the loan was arranged. But I don’t think that having a couple of direct debits returned, particularly as she’s said that she was already in difficulty means that she ought reasonably to have been aware of her cause for complaint.

And I’ve not seen anything to indicate that Miss M complained more than three years after she ought reasonably to have been aware of her cause for complaint. Therefore I’m satisfied that we can and should look at Miss M’s complaint about both of her loans.

I now turn to whether Match the Cash acted fairly and reasonably when arranging these loans for Miss M.

Having carefully considered everything, I consider it is fair and reasonable to expect Match the Cash to have carried out reasonable enquiries into Miss M’s circumstances to check that she’d be able to make the payments to these loans, before bringing them about.

As I understand it, Match the Cash enquiries suggested that Miss M was employed and earning £2,150.00 a month. This was verified with payslips. I understand that Match the Cash also carried out credit checks which, at the time she applied for loan 1, showed Miss M had 15 active accounts, 21 settled accounts and five that had been opened in the last six months. The credit check also showed that Miss M revolving credit balances at 80% of her credit limits and had made only minimum payments towards her balances 26 times in the previous 36 months.

The credit check for loan 2, showed Miss M had 13 active accounts, 30 settled accounts and 11 that had been opened in the last six months (so 11 more since loan 1 had been provided). The credit check also showed that Miss M revolving credit balances was now at 99% of her credit limits and she still had made only minimum payments towards her balances 26 times in the previous 36 months.

Finally, this credit search also showed that 15 separate searches, most likely as a result of applications for credit, were carried out in the 12 months leading to the application for this loan.

Having considered these circumstances, I would have expected further enquiries and for further evidence on Miss M's financial circumstances to have been requested in order for it to have been fair and reasonable for Match the Cash to have approved these loans. In my view, Match the Cash appears to have placed a great deal of weight on what it was told by Miss M. But I think that it has failed to consider this in the context of what it found out about Miss M in the credit searches it carried out.

Match the Cash has said that our investigator failed to take account that Miss M's total balances, excluding loan 1, decreased in the period between loans 1 and 2. But as the amount for loan 1 was owing at the time loan 2 was provided, it's unclear to me why Match the Cash believes that this shouldn't be included in determining Miss M's overall indebtedness at this time. Furthermore, Miss M was now at 99% of her limits on her revolving credit accounts.

So given what Match the Cash knew about Miss M at the time it was arranging these loans, I think that Match the Cash needed to obtain further information from Miss M to better understand her financial position and the reason for the mismatch between the disposable income arrived at and what her credit file was showing.

I think that had this information been requested, Match the Cash would more likely than not have discovered that Miss M was in a debt management plan at the time of loan 1 and already struggling to keep up with her existing credit commitments taking out payday lending to try and make ends meet. Match the Cash says it is unreasonable to take the debt management plan into account given it didn't show up on the credit search. But even without this, it's clear that Miss M was in a cycle of unsustainable debt.

Match the Cash also says it believes that other parties may have had access to Miss M's bank account. But it hasn't provided anything at all to substantiate this. The credit file shows a number of accounts had been opened and settled before both loans, which is indicative of payday lending. The fact that all of the payday lending going out of Miss M's account doesn't show on the credit search doesn't in itself mean that someone else had access to Miss M's bank account.

Furthermore, what did show on the credit searches, which there is no dispute Match the Cash did see, was enough to demonstrate that Miss M was borrowing further to repay previous debts. In these circumstances, I think that Match the Cash ought to have obtained further information. And if it had done so, it will have realised that Miss M was simply unlikely

to be able make the payments to these loans without borrowing further, or experiencing financial difficulty.

As this is the case, I find that Match the Cash's failure to further consider Miss M's circumstances meant that it didn't act fairly and reasonably towards Miss M when it brought about these guarantor loans for her.

As Miss M ended up paying interest and charges on guarantor loans brought about by Match the Cash failing to act fairly and reasonably towards her, I'm satisfied that Miss M lost out because of what Match the Cash did wrong. And I think that Match the Cash needs to put things right.

Fair compensation – what Match the Cash needs to do to put things right for Miss M

Having considered everything, I think it is fair and reasonable for Match the Cash to put things right for Miss M in the following way:

- refund all the interest, fees and charges Miss M actually paid on her loans;
- add interest at 8% per year simple on any interest, fees and charges paid from the date they were paid by Miss M to the date of settlement†;
- remove any adverse information recorded on Miss M's credit file as a result of these loans.

† HM Revenue & Customs requires Match the Cash to take off tax from this interest. Match the Cash must give Miss M a certificate showing how much tax it has taken off if she asks for one.

My final decision

For the reasons I've explained, I'm upholding Miss M's complaint. Match the Cash Limited should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 2 October 2023.

Jeshen Narayanan
Ombudsman