

complaint

Ms W complains that Cash Converters UK Limited wrongly lent her money she couldn't afford to pay back.

background

Ms W took out a number of payday loans with Cash Converters. She said that the business didn't carry out proper affordability checks and allowed her to roll over the loans when she struggled to pay them back. She says that this has led to a spiral of debt and she has had to take out more and more loans.

Our adjudicator recommended that the complaint should be upheld. She thought that the first four loans were affordable. By the time of the fifth loan she thought that Cash Converters should have carried out more checks about why Ms W needed to keep borrowing. Cash Converters didn't agree and said in summary that its policies and procedures were robust and compliant with the regulations. It said that it relied on the answers given by Ms W about whether she could afford to repay the money and it had not been irresponsible to lend to Ms W.

my findings

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

I've looked very carefully at the affordability checks carried out by Cash Converters when approving the loans to Ms W. I can see that the business asked to see her bank statements for each loan. Looking at the pattern of lending I can see that Ms W wasn't fully repaying the loans before taking out further borrowing.

I can't see from the paperwork provided that Ms W was asked why she needed to borrow so often or that her bank statements were properly taken into account. I can't see that the information about her outgoings declared by Ms W was properly scrutinised as there is no figure for food. Ms W declared other payday lending and this should have prompted Cash Converters to ask for more information about Ms W's circumstances.

Ms W said she could afford the borrowing and signed to confirm this was the case. But I don't think that this is enough for me to say Cash Converters acted responsibly. Ms W wanted and needed the loans because of the spiral of debt she was in. Cash Converters should have suspected this was the case by the time of the fifth loan looking at the pattern of borrowing. I agree with the conclusions of the adjudicator that granting additional loans after this without carrying out more robust checking was irresponsible.

Ms W has had the benefit of the money so I think it is only fair that she pays it back but I agree with the adjudicator that any interest or charges incurred after the fifth loan was granted should be waived.

my final decision

My final decision is that I uphold this complaint. In full and final settlement of it Cash Converters UK Limited should do the following:

1. Refund any interest and/or charges applied to the loans from the 4 March 2013 together with 8% simple interest per year.
2. Remove any adverse information recorded on Ms W's credit file for the loans from the 4 March 2013.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 8 February 2016.

Emma Boothroyd
ombudsman