

complaint

Mr M complains that Mobile Money Limited irresponsibly granted him unaffordable loans secured on his car by a bill of sale. He says they worsened his financial difficulties. He wants the charges and interest refunded.

background

Mobile Money said in its final response that Mr M had twelve loans from June 2011 to February 2015 over between six and eighteen month terms. At no point did he have more than one loan at a time. He gave it information in face to face interviews and it considered his creditworthiness and the loans' affordability. It'd seen his wage slips and had income and expenditure information on many of the loans. He never said he was in financial difficulty. Not all his loans were for increasing amounts. The loans were affordable and it's lending responsible.

Our adjudicator felt that this complaint should be upheld. She said:

- Mobile Money conducted income and expenditure checks on four of the loans. But it didn't do so on the first three. But having seen Mr M's bank statements he could afford to repay them. It also regularly asked for copies of his wage slips.
- The income and expenditure check on the fourth loan showed he'd some disposable income. Even so not all payments were made on time. This loan was paid off early as he was able to consolidate it. At this time Mr M's bank statements show he was making payments to several payday loan companies and debt collectors.
- The next loan was paid off early but a number of payments weren't made on time. Three late charges were applied to it. At this point Mobile Money should've asked more questions.
- The next loans had many late payments and were increasing in size. Loans were rolled over and topped up. Whilst some checks were carried out they weren't sufficient given Mr M's borrowing history. These later loans clearly put him in a worse financial position.
- After the missed payments on loans 4 and 5 more questions and checks should've been carried out. And loans 6 onwards shouldn't have been granted. It should've noted Mr M was dependent on the loans. None were repaid in full without needing refinancing. The amounts borrowed increased and there wasn't a single day between 7 June 2011 and 2 February 2015 when Mr M didn't owe Mobile Money something. He also borrowed on the same day he repaid his previous loans. He wasn't using these loans for short term borrowing. He also had a large number of payday loans and defaults.
- So, Mobile Money should refund all fees and interest applied from loan 6 onwards plus interest. It should also remove them from his credit file.

Mobile money doesn't agree. In summary it says it doesn't regard itself as a provider of short term payday loans. Its loans to Mr M were for 12 or 18 months. Mr M never said he was experiencing financial difficulty. He withheld his bank statements and problems including

when he was interviewed about his financial circumstances. It wasn't at the relevant times obliged to carry out a credit search.

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 agree with the adjudicator's conclusions for the same reasons.

Mobile Money was entitled to rely on the information Mr M gave. It says it interviewed him and carried out various checks. But it wasn't obliged to carry out a credit agency search or to see his bank statements.

Even so, whatever level of checks Mobile Money carried out at the time of each loan or top up application I think Mr M's borrowing history should've alerted it to the fact that he may have been in some financial difficulty, the loans may have been unaffordable and particularly that he was becoming reliant on its lending.

At very least Mobile Money should've asked more questions and carried out more detailed checks. I agree with the adjudicator that it would've been reasonable for it to have done so by – at latest – the sixth loan. Had it done so I think it's more likely that it would've declined to lend to him further, than not. And the sixth and later loans wouldn't reasonably have been granted.

So, taking everything into account, I think the adjudicator's recommendation of a refund of interest and charges from loan six onwards plus interest and amendment of his credit file, is a fair and reasonable resolution of this complaint.

my final decision

I uphold this complaint and I require Mobile Money Limited:

1. To refund all interest and charges on all loans from the sixth loan onwards plus pay simple interest at the rate of 8% a year from the date each such sum was paid until the date of settlement; and
2. To remove all these loans from Mr M's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 28 November 2016.

Stephen Cooper
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