complaint

Mrs C says Greenwood Personal Credit Limited lent to her irresponsibly. She says that she couldn't afford the repayments as she had other debts and a lower income as a student. She says she was reliant on credit.

background

This complaint is about three home credit loans Greenwood provided to Mrs C between May 2008 and April 2010.

loan number	date started	amount borrowed	term (weeks)	weekly repayments	date ended
1	24/05/2008	£20	25	£0.80	07/10/2008
2	08/10/2009	£200	55	£6.40	13/04/2010
3	08/04/2010	£300	55	£9.60	13/12/2010

Our adjudicator partially upheld the complaint. He thought the business was wrong to approve loan 3 as Mrs C had problems repaying loan 2.

Greenwood disagreed with the adjudicator's opinion so the complaint has been passed to me. It said Mrs C was repaying fortnightly rather than weekly, and so she wasn't really missing any repayments and it wasn't relevant that she was shown as unemployed on it's records.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints about short-term and high cost credit - including all of the relevant rules, guidance and good industry practice - on our website.

Greenwood needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out reasonable checks to make sure Mrs C could repay the loans in a sustainable manner.

These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Greenwood should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a customer's 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 *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);

- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

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

And the loan payments being affordable on a strict pounds and pence calculation might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. The industry regulator defines sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mrs C's complaint. I've decided to uphold Mrs C's complaint in part and have explained why below.

Mrs C didn't disagree with our adjudicator's opinion about loans 1 and 2. Because of this I don't think there is any ongoing disagreement about these loans. So I won't be making a decision about this lending. But they were part of the borrowing relationship Mrs C had with Greenwood. So they are something I will take into account when considering the other loans she took.

Loan 2 was taken out for £200 and Mrs C was due to repay £6.40 a week for 55 weeks. As Greenwood have confirmed Mrs C wasn't really able to do this. In the earlier part of the loan she repaid £10 every two weeks for some of the time. I understand this was because her benefits were paid every two weeks. She did increase this to £12.80 at times but not always. She also made a few 'catch up' payments.

So whilst it might not be entirely right to say that Mrs C 'struggled' to make the loan repayments. I think the fact that she couldn't always make the full weekly payment shows that she was at the limit of what she could sustainably repay over this period of time.

Mrs C started loan 3 while loan 2 was still running. She borrowed £300 and it looks like around half of this was used to clear the balance of loan 2. Her weekly payments were increased to £9.60.

This is a significant increase and would mean that Mrs C would be paying close to around £40 a month, and sometimes more. Given her repayment history in loan 2, I don't think it was reasonable for Greenwood to assume that Mrs C could make the repayments to loan 3. I don't think it was responsible to lend to her. So I'm upholding Mrs C's complaint about loan 3.

putting things right – what Greenwood needs to do

- refund all interest and charges Mrs C paid on loan 3;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement*;
- remove any negative information about loan 3 from Mrs C's credit file;

*HM Revenue & Customs requires Greenwood to take off tax from this interest. Greenwood must give Mrs C a certificate showing how much tax it's taken off if she asks for one.

my final decision

For the reasons I've explained, I partly uphold Mrs C's complaint.

Greenwood Personal Credit should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs C to accept or reject my decision before 5 October 2019.

Andy Burlinson
ombudsman