

The complaint

Mrs B complains that Chetwood Financial Limited ("CFL") lent to her irresponsibly.

What happened

At the beginning of April 2018 Mrs B applied for a loan with CFL through a third party agency. The loan was for £3,000 over a period of 12 months and the monthly repayments were around £270.

CFL says that when Mrs B applied for the loan, she declared her monthly income as just under £1,700. And it says Mrs B declared her monthly living costs were £1,200, including £300 mortgage repayments. And that her total unsecured debt was £3,500.

CFL also says it carried out a credit check and deemed that she could afford this loan. It says the credit check showed that her overdraft had a balance of around £2,200 at the time of the loan application and that it was also aware of one other loan with monthly repayments of around £120.

Mrs B says she had a gambling problem at the time this loan was carried out and, had CFL carried out proportionate affordability checks and reviewed her statements, it would have seen this and not lent to her. So she says this lending is irresponsible.

Our investigator didn't think the complaint should be upheld. In short, she said that based on the information Mrs B had provided, it seemed CFL had carried out proportionate checks and that the loan was affordable. Mrs B didn't agree so the complaint has been passed to me.

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. Having done so, I've reached the same outcome as our investigator and for similar reasons. I know this will come as a disappointment to Mrs B but I'll explain my reasoning below.

the checks

Before lending money, a creditor should take steps to ensure that the consumer can afford to pay it back. So I've considered whether CFL carried out proper affordability checks in this case.

CFL says it carried out a credit check with a credit reference agency, which would have given it a score based on the information that credit reference agency held about Mrs B. That can include details of outstanding debt, settled financial commitments and her previous repayment history.

Mrs B has explained that she had taken out further borrowing in the month before this loan – and that should have been showing on her credit file. But it doesn't seem that this information was available on her credit report at the time and the evidence CFL has shown

us of the credit check it carried out doesn't evidence it was aware of the additional borrowing. While these additional loans are now showing on Mrs B's credit file and show that they started before this loan, it often takes several weeks for new credit to show on a credit file due to the way information is reported to credit reference agencies - and this information is then backdated. So I don't think it's unusual that CFL was unable to see borrowing taken immediately before this loan.

CFL also asked Mrs B to provide information about her monthly outgoings and I would have expected Mrs B to declare any loan repayments as part of that, which she has confirmed she did. So I don't think Mrs B's latest loan not appearing on the credit check means that the relevant information wasn't obtained by CFL.

CFL has also provided us with details of the income and expenditure it was given by the third party agency when Mrs B applied for this loan. Mrs B has said she doesn't think CFL carried out its own checks as the information was provided through a third party. But that information was based on information Mrs B had provided. CFL asked relevant questions about Mrs B's income and outgoings – and took these into account before lending to her. Based on the figures Mrs B provided to it through the third party, CFL was satisfied she could afford the monthly repayments at that time.

Mrs B has raised concerns about the questions that were asked during the application and doesn't think these were clear. So she says she input her outgoings incorrectly - putting £300 for her monthly housing costs then not including that figure when asked about her total spending on the next page of the application. But the screenshots I have seen ask for confirmation of the applicants rent or mortgage payments on the first page. Then on the next page of the application it asks "what is your total monthly spending?". The note immediately underneath states "this includes your housing payments, household bills, living costs and any other regular spending". As the question explains which spending the applicant should include, I'm satisfied that the questions were sufficiently clear.

Mrs B also says CFL should have checked her current account statements – and if it had she doesn't believe it would have lent to her. But this loan was due to be repaid over a relatively short period and based on the information Mrs B had provided to it, I don't think there was any reason it should have had cause for concern. So I don't think proportionate checks would have included a full review of bank statements. And taking everything into account, I'm satisfied that CFL carried out appropriate checks to establish that Mrs B was able to sustainably meet her monthly repayments.

I realise that Mrs B was later unable to meet these repayments. But it's clear that Mrs B took out further lending and that her circumstances changed after this loan was taken. So I don't think her later difficulties mean that CFL didn't carry out appropriate checks for this loan. And as I don't think CFL did anything wrong in assessing Mrs B's lending application, I won't be asking CFL to refund any interest.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 15 May 2020.

Sara Falzon
Ombudsman