

The complaint

Mr A complains that Retail Money Market Ltd trading as Ratesetter irresponsibly lent to him. Mr A says he shouldn't have been lent the loan as he was in debt with other lenders and had a gambling problem.

What happened

Ratesetter lent Mr A a loan in April 2016, the loan was for £4,500 and Mr A needed to repay it in 36 monthly instalments of £149.25.

The details of this complaint are well known to both parties, so I won't repeat them all again here. The facts are not in dispute, so I'll focus on giving the reasons for my decision.

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 agree that this complaint should be upheld for these reasons:

- Based on the available information, I'm not satisfied that the Ratesetter carried out sufficient checks. I say this for a number of reasons, firstly the loan was for 36 months and so Ratesetter needed to satisfy itself that Mr A could afford the payment throughout the term. Also, the results of Ratesetter's credit search showed that Mr A had a recent default recorded against him and that he was repaying at least four other creditors, the credit he was repaying was around 30% of his declared monthly income. So, in addition to the checks it carried out I think Ratesetter should have taken steps to verify Mr A's financial position to get a clear picture of his circumstances. As Ratesetter didn't do this, I don't think it did enough before agreeing to lend.
- Ratesetter has argued that it took into account joint household income, but I don't think this was reasonable. The loan was in Mr A's sole name and the affordability of the loan should have been assessed based solely on his circumstances.
- Mr A has provided copies of his bank statements which I've used to understand his actual financial circumstances at the time the loan was agreed. I've used this as it is the closest evidence of Mr A's circumstances at the time of the loan. From what I can see, Mr A was repaying around £620 to other creditors. Ratesetter has said Mr A's reason for borrowing was to consolidate his other credit, but it hasn't provided evidence to show what Mr A was specifically consolidating.
- The bank statements also show that Mr A was gambling significant sums of his income of around £1,900, in his bank statement issued just before the loan, Mr A gambled around £920. This was a pattern that continued and in the following month, Mr A spent around £830 on gambling transactions. These transactions were in addition to Mr A's other living costs, like food and transport.

- In these circumstances, had Ratesetter taken the necessary steps to carry out sufficient checks, it's likely to have found that Mr A couldn't sustainably repay the loan over the term. The fact that Mr A fully repaid the loan doesn't persuade me that he did sustainably. I think it's clear from a closer look at Mr A's financial circumstances that he had more outgoings than earnings.
- In these circumstances as a responsible lender, Ratesetter shouldn't have lent to Mr A.

For these reasons, my decision is to uphold Mr A's complaint and Ratesetter needs to put things right.

Putting things right

I order Ratesetter to:

- refund all the interest and charges applied to the loan, and;
- add interest at 8% per year simple on the above interest and charges from the date they were paid, if they were, to the date of settlement†;
- remove any adverse information recorded on Mr A's credit file as a result of the interest and charges on these loans.

†HM Revenue & Customs requires Ratesetter to take off tax from this interest. Retail Money must give Mr A a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that this complaint about Retail Money Market Ltd should be upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 15 June 2021.

Oyetola Oduola
Ombudsman