

The complaint

Miss B complains that Chetwood Financial Limited (trading as 'LiveLend') gave her a loan irresponsibly. She feels there are a number of questions that weren't asked at the point of application, and it didn't fully consider her personal circumstances.

Background to the complaint

In June 2018, Miss B took out a loan with LiveLend for £5000.00. The total charge for credit was £756.06 and the monthly repayments were for £159.89. These were due to be paid over a period of 36 months.

After eight months, Miss B chose to settle the loan early – she paid £4000.24 as a full and final settlement in January 2019.

In September 2019, Miss B wrote to LiveLend. She complained that the loan was lent to her irresponsibly and resulted in her being in further financial difficulty. She didn't feel her personal or financial circumstances were fully checked. Miss B raises concerns that she wasn't asked questions about her mental health when applying, because at the time she was suffering with depression and anxiety. Miss B also says the lending was irresponsible because she was living with someone who was a gambling addict, and previously had a County Court Judgement (CCJ) and a conviction related to money.

Miss B said she needed to take out further loans to cover the large amounts of interest being charged during the course of the LiveLend loan. She also thinks LiveLend should've signposted her to charities that support with debt and financial difficulties.

Our investigator considered the complaint and didn't think it should be upheld. He said, based on what he'd seen, the loan was affordable at the time and he was comfortable with the checks LiveLend carried out to confirm Miss B's identity. Miss B disagreed with our investigator and asked for an ombudsman's decision.

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 approach to unaffordable/irresponsible lending complaints on our website and I've considered this while deciding Miss B's complaint.

Having carefully considered everything provided, I think that there are two questions I need to consider in order to decide what's fair and reasonable in the circumstances of Miss B's complaint. These are:

- Did LiveLend carry out reasonable and proportionate checks to satisfy itself that Miss B would be able to repay what she borrowed in a sustainable way?
 - If not, what would reasonable and proportionate checks more likely than not have shown?

- Did LiveLend act unfairly in some other way?

I'll consider each of these questions in turn.

Did LiveLend carry out reasonable and proportionate checks to satisfy itself that Miss B would be able to repay what she borrowed in a sustainable way?

The rules and regulations in place at the time LiveLend provided Miss B with her loan required it to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment'.

The checks had to be 'borrower' focused. This means LiveLend had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Miss B. In other words, it wasn't enough for LiveLend to consider the likelihood of it getting the funds back – it had to consider the impact of any repayments on Miss B.

Checks also had to be 'proportionate' to the specific circumstances of the loan application. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking.

In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the longer the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether LiveLend did what it needed to before lending to Miss B.

LiveLend says Miss B passed its affordability checks, which were based on data from a third-party Credit Reference Agency. These checks showed Miss B's credit commitments at the time of application. Based on the data received, Miss B's total debt in June 2018 was £3565.00 and the monthly repayments for this debt were around £139.00. Miss B wasn't close to the credit limit on any of the existing accounts she had.

Miss B declared her income as £1422.00 per month, and declared living costs including rent as around £700.00 per month. LiveLend said it checked this information on a national database which showed Miss B did have this amount going into her account for at least 12 months.

Based on these checks, Miss B was left with a monthly disposable income of around £700.00. The monthly repayments to LiveLend were a fixed amount and wouldn't fluctuate based on spending or differing interest rates in the same way a credit card repayment would.

So, LiveLend was confident based on its checks that Miss B could sustainably repay the debt.

Given the amount being borrowed and the fact that Miss B was committing to make repayments for three years, I would have expected a greater degree of verification of the information Miss B provided. I don't think relying on the amount of funds going into Miss B's account, which are likely to have been made up of a multitude of sources, is the same as verifying her income. I also think that LiveLend needed to do more to verify Miss B's outgoings. As LiveLend didn't do this, I don't think that the checks it carried out were reasonable and proportionate.

If not, what would reasonable and proportionate checks more likely than not have shown?

As LiveLend didn't carry out proportionate checks, I've gone on to consider the second part of the question, which leads me to think about what more proportionate checks would have shown. Due to the time that's elapsed, it's difficult to know this exactly. But I've used Miss B's bank statements and credit report to try and piece together what LiveLend would more likely than not have seen had it taken further steps to verify Miss B's income and expenditure.

Miss B has provided us with her statement from May 2018 – one month before LiveLend gave her this loan. And I can't see that anything on the statement would be of concern to LiveLend. Miss B's income was around the amount she declared. Miss B did go into her overdraft by up to around £150.00, but was out of it again within a few days.

Miss B's credit report shows three payday loans – two of which were taken out in 2016 and one in early 2017. But by April 2017, all three of these loans had been repaid in full. It doesn't appear that there were any defaults or late payments across Miss B's credit accounts when the loan was taken out in June 2018.

Having considered the above information that's available now, three years after the loan was given, I can't see anything that makes me believe that further checks would more likely than not have shown LiveLend that it shouldn't have given Miss B this loan at the time.

Did LiveLend act unfairly in some other way?

I've carefully thought about the other complaint points Miss B has raised in relation to the lending from LiveLend. I'll address these point by point.

Miss B says she's unhappy that LiveLend didn't ask for proof of identity. LiveLend says the application was all completed electronically. Miss B isn't disputing she applied for the loan, so it's unclear to me what difference further identity checks would have made. LiveLend's checks were sufficient to confirm that Miss B was who she said she was. I can see the loan was paid into Miss B's current account from the statements she's provided. She then used the funds to repay other lines of credit she held at the time. So, I'm satisfied that the checks that were completed were enough.

Miss B feels she should have been asked for information about her mental health conditions, as she suffered with depression and anxiety which impacted her decisions to spend money. I was sorry to hear that Miss B was struggling at that point in time, and I can understand how it would affect someone financially. But I wouldn't expect a lender to routinely ask about medical conditions as part of a loan application. Had Miss B taken out the loan and told LiveLend at a later date she was struggling with her mental health conditions, we'd expect LiveLend to react to that information and support Miss B where possible. But, from the information available to me, I can't see that this happened.

Another reason why Miss B says she shouldn't have been given the loan is because she lived with her partner at the time, who had a CCJ, a conviction related to money and was a gambling addict. Miss B has also told our service he was abusive. I'd like to start by thanking Miss B for sharing that information with us. I understand it can't have been an easy time for her.

In reviewing Livelend's actions as a lender, we wouldn't expect LiveLend to check its customer's partner's or family's financial history when a loan is being applied for in an individual's name. This is especially as they would require consent from the party being searched to request this information.

Miss B feels LiveLend should have signposted her to debt charities because she was in financial difficulty. I've considered this and I've looked at the correspondence between LiveLend and Miss B, as well as Miss B's management of the account during the eight months it was open. Miss B didn't tell LiveLend she was struggling financially until September 2019 when she complained. And, by this stage, Miss B didn't owe LiveLend any money as the loan had already been paid in full a number of months earlier.

LiveLend did send Miss B links to debt charities in its final response letter. I've thought about whether LiveLend should have realised that Miss B might have been struggling earlier. But Miss B's repayments were always paid in full and on time, so I don't think there's any reason for LiveLend to have been aware that Miss B was struggling financially. And, I'm satisfied when it was made aware, it did signpost her as we'd expect. So overall, and having thought about Miss B's additional points, I don't think that LiveLend acted unfairly towards her in some other way.

Bearing in mind the above, I'm satisfied that LiveLend didn't give Miss B her loan irresponsibly. While it could've done more to check that the loan was affordable given the circumstances, I think proportionate checks were unlikely to have led to a different lending decision here. As this is the case, I'm satisfied LiveLend didn't do anything wrong or treat Miss B unfairly, and so I'm not upholding this complaint.

My final decision

For the reasons I've explained, I'm not upholding Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 8 September 2021.

Hana Yousef
Ombudsman