

## **The complaint**

Mr D complains Advancis Limited trading as Buddy Loans irresponsibly lent to him.

## **What happened**

Mr D was approved for a loan by Buddy Loans in September 2017. The capital amount of the loan was £1,500, with an 18-month term. The monthly repayments were approximately £113.

Mr D complains Buddy Loans lent to him irresponsibly. He says Buddy Loans did not complete proportionate checks before approving him. He says had Buddy Loans done this it would've seen he was spending a significant amount of his income on gambling. Mr D says he wasn't in a position to repay the loan as a result of this. Mr D says he has lost out financially by paying additional interest and charges.

Buddy Loans says it lent responsibly. It says it completed reasonable and proportionate checks, which included completing an income and expenditure assessment, supported by searching Mr D's credit file. Buddy Loans says these checks were proportionate, and showed the loan was affordable to Mr D. It says there wasn't evidence of Mr D spending money on gambling.

Our investigator recommended Mr D's complaint be upheld. She felt Buddy Loans had not considered the information it had obtained from Mr D. In particular she felt Mr D's high credit utilisation (115%) was contradictory to the information Mr D had provided at the application stage. She also felt there were indicators of Mr D's financial hardship which should've stopped Buddy Loans from lending to him.

Buddy Loans disagreed with the assessment and as such the matter has been passed to me to issue a final 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.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. And I've used this approach to help me decide Mr D's complaint.

As Buddy Loans is aware the regulations which applied at the time, required it to carry out an assessment on whether Mr D could repay any loan in a sustainable way. These checks are referred to as an affordability assessment or an affordability check.

This means Buddy Loans needed to consider if any repayments which Mr D would be required to make would cause him any financial difficulties or have any adverse consequences on his finances. The checks also needed to be 'proportionate' to the specific circumstances of the loan which was being approved.

The relevant rules don't set out which specific checks it has to complete for them to be reasonable and proportionate. But these checks needed to be proportionate to the amount of credit being provided including the total amount of credit, amount of repayments and total length of the term. It is also not sufficient for Buddy Loans to just complete proportionate checks. It also needs to consider the information it is provided with and make a fair lending decision.

Buddy Loans says it completed a detailed income and expenditure assessment on Mr D; as well as searching his credit file. Buddy Loans say Mr D's answers gave it no reason to think the loan was unaffordable or that the information he had provided would be incorrect. Buddy Loans say these checks were proportionate to the amount being borrowed; and that they showed Mr D could afford the loan. As such its decision to lend was fair.

I've carefully considered Buddy Loans argument, but in this instance, I'm not persuaded it lent responsibly to Mr D.

As I've set out above, it is not enough for Buddy Loans to simply complete checks, it also needs to carefully consider the information it is provided with before making a decision to lend.

In this instance Buddy Loans has provided our service with a copy of Mr D's application, credit file and income and expenditure assessment. When looking through this information I'm satisfied there is enough evidence to suggest Mr D wasn't a suitable applicant to be lent too.

Mr D's application lists occupation as working full time with a monthly salary of approximately £1,500, with Buddy Loans underwriters calculating this to be around £1,080 for his wages. It has calculated Mr D's non-credit expenses as approximately £480, and his credit commitment payments as approximately £144 per month (seemingly including the £113 for this loan). This leaves Mr D with an alleged disposable income of £450. The application for the loan purpose is described as 'other'.

Mr D's credit file shows he has a current account with an overdraft, as well as a credit card. There is also a separate advance against income. The credit file shows that on his two credit facilities (both overdraft and credit card); that Mr D is exceeding his limits. For his credit card he is 15% over his limit; and for his current account he is almost double his limit. Mr D's total debt ratio is also at 115%. What is also of note is in the months prior to the lending decision that Mr D's exceeding of these limits is increasing; suggesting his overall level of debt on a monthly basis is increasing. As mentioned above there is also an advance against Mr D's income for £200 which is a significant proportion of his wage; and again, this credit was taken out close to the time of the Buddy Loans application.

When taking all of this information into account I'm satisfied Buddy Loans at the very least should've completed further checks, but in all likelihood should've also declined the application at this stage. I say this because based on the evidence it had I'm satisfied this loan was always likely unaffordable and unsuitable to Mr D.

Mr D has told us that he was struggling financially at the time of the application and based on the information Buddy Loans had available to it; I'm satisfied this was likely the case too.

Of particular note is the fact Buddy Loans have not seemingly challenged the information it was given. From its checks Mr D would appear to have a disposable income of over £400 per months. However, this is at odds with the information being shown on his credit report. This shows that Mr D's borrowing is increasing on the months leading up to the application,

firstly through the exceeding of credit card and overdraft limits, but then leading to advancing money against his wages. It also appears as if Buddy Loans has only allocated minimum payments to Mr D's existing credit commitments (including only £1 towards his advance against his income). I'm satisfied this should've raised questions for Buddy Loans as it is aware of its need to ensure borrowers are making repayments sustainably; which in this instance would mean more than minimum repayments. This is further increased by the fact Mr D was already in excess of his agreed credit limits.

All of this information combined persuades me Mr D was likely managing his finances to either a tight margin or likely a negative one. His credit file supports his testimony that he was struggling financially and was resorting to other forms of credit to supplement his income (especially if he was spending some of this on gambling). Mr D's indebtedness was increasing further the closer he got to this application; and I'm satisfied Buddy Loans ought to have been aware of this. As such I'm satisfied its decision to lend was unfair, as it was likely increasing Mr D's indebtedness in a way that was unsustainable and unaffordable.

### **Putting things right**

In order to put thing right I require Advancis Limited trading as Buddy Loans:

- Refund all interest and charges Mr D paid on this loan:
- Pay Mr D 8% simple interest on the refund interest and charges from the date they were paid to the date of settlement\*:
- Remove any adverse information on Mr D's credit file in relation to this loan.

\*HM Revenue & Customs requires Advancis Limited trading as Buddy Loans to take off tax from this interest. Advancis Limited must give Mr D a certificate showing how much tax it has taken off if he asks for one.

### **My final decision**

My final decision is that I uphold this complaint against Advancis Limited trading as Buddy Loans.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 22 July 2021.

Tom Whittington  
**Ombudsman**