

The complaint

Mr T has complained that TM Advances Limited lent him an unaffordable loan.

What happened

In January 2019, TM agreed to lend Mr T £2,000. The agreement for the loan states that Mr T had to repay the loan in 35 monthly instalments of £189. Mr T hasn't fully repaid the loan and as I understand it, there's a balance outstanding.

When Mr T complained to TM about the lending, it didn't uphold his complaint and so Mr T referred his complaint to this service where it was looked at by one of our adjudicators. Our adjudicator thought that TM did enough before agreeing to lend and so didn't recommend that the complaint should be upheld.

Mr T disagreed, he said he had a default six months before the loan and he was gambling substantial amounts and had TM checked his bank statements it would have seen that he couldn't afford the loan.

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.

I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Before lending money to a consumer, a lender should take proportionate steps to understand whether the consumer will be able to repay what they're borrowing without it adversely impacting on their financial situation.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn't set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend. The key thing was that any checks needed to be proportionate and had to take into account a number of different things, including things such as how much was being lent and when what was being borrowed was due to be repaid.

TM has provided evidence to show that it asked Mr T about his monthly income and expenses before agreeing to lend. I can see that Mr T declared his monthly income as £2,500 and his monthly living costs as £1,150. TM added a further £200 to this declared living costs and lent to Mr T based on a monthly living cost of £1,350. I can also see that TM searched Mr T's credit file and verified Mr T's income by requesting his payslip. The payslip showed that Mr T earned £3,000.

Given that this was Mr T's first loan with TM and the monthly repayment amount was relatively small compared to his declared and verified income, I think TM's checks went far enough.

I appreciate that Mr T has said that had TM looked at his bank statements it would have seen that he was gambling substantial sums. While I can see from Mr T's bank statements that he was having frequent gambling transactions, there was no requirement for TM to request bank statements. The rules didn't prescribe specific checks that a business had to carry out before lending.

Mr T has also said that he had defaults on his account and was still repaying one of those defaults. I don't think the defaults on the account automatically mean that TM shouldn't have lent to Mr T. From what I can see TM reacted to this information and took it into account when considering Mr T's ability to afford the loan.

Also, TM verified Mr T's income and his income was around £3,128 – more than the £2,500 he had declared. Also, TM took into account Mr T's credit commitments, Mr T declared his credit commitments as £451 and I can see it checked details about Mr T's credit commitments against the credit file. Mr T said he was borrowing the loan to consolidate his short-term loan, I can see that TM worked out which loans Mr T could consolidate with this loan. This consolidation would mean that Mr T's monthly debt burden was less overall. This essentially would have put Mr T in a better financial position.

I accept that Mr T was gambling but as stated, TM wasn't required to request bank statements and Mr T didn't offer the information at the time of the application and given that I think TM's checks were reasonable, this isn't something that it would have found out from these reasonable checks.

While I appreciate that Mr T will likely be disappointed with my decision, I can't impose a duty on TM which the rules don't. In my opinion, TM took reasonable checks to verify some of the information Mr T provided and it reacted to the information it saw on Mr T's credit file. I think TM did enough to gain an understanding of Mr T's circumstances. Overall, the outcome of these checks suggests that Mr T, at the time of the loan application, could afford the loan. So, I don't think TM was wrong to lend to Mr T in the circumstances.

I understand Mr T has an outstanding balance on the loan and I will remind TM to show forbearance when dealing with him and agree a suitable repayment plan.

My final decision

For the reasons given above, I do not uphold Mr T's complaint and I make no award against TM Advances Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 21 June 2021.

Oyetola Oduola
Ombudsman