The complaint

Mr W complains that the loan he had from Street (UK) C.I.C. was unaffordable to him.

What happened

Mr W borrowed £200 from Street UK on 7 November 2019. The loan was due to be repaid by 12 four-weekly instalments of £25.

Mr W says the repayments were unaffordable based on his income and expenditure at the time of the borrowing. He adds that his financial history showed he was not creditworthy.

Street UK says it conducted a credit check and asked Mr W about his income and expenditure which it then verified with payslips. It says it took into account Mr W's existing credit commitments and the affordability calculation showed Mr W had a disposable income of around £295 per month with which to make the repayments.

Our adjudicator did not recommend the complaint should be upheld. She was satisfied that Street UK carried out proportionate checks and there was nothing in the available information to indicate Mr W was struggling to manage his money.

Mr W responded to say, in summary, that better checks would have shown he was spending money on gambling.

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 general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Street UK needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr W could repay the loan in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Street UK should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a customer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think that it is important for me to start by saying that Street UK was required to establish whether Mr W could sustainably repay his loan – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course the loan payments being affordable on this basis might indicate a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the Consumer Credit Sourcebook ("CONC") defines sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr W's complaint.

When Mr W applied for his loan, he said the money was for a holiday. I can see Street UK asked him about his income and expenditure and checked his credit file. The results of these checks showed Mr W had a monthly income of just over £1,500 with expenditure of £1,222, including £160 on existing credit. The credit check showed Mr W had six defaulted accounts, and a County Court Judgement (CCJ).

I've considered all the circumstances of the loan application and I'm satisfied Street UK's checks were proportionate. I say that because:

- This was Mr W's first loan with Street UK and there were no indications he was dependent on this type of lending;
- Mr W was not over-committed on his existing credit as those repayments were around 10% of his income;
- The new loan repayments were less than 2% of Mr W's income;
- Although Mr W's credit file showed adverse information, the most recent of the defaults was from over three years ago and the CCJ was from April 2016;

Street UK's affordability checks showed Mr W had almost £300 per month of disposable income which made the repayments affordable to him.

I acknowledge that Mr W says further checks would have shown he spent money on gambling, but I don't consider it would have been proportionate for Street UK to obtain the bank statements that would have been necessary to show this level of detail.

So, in summary, I can't conclude there was anything in the available information to indicate Mr M was struggling to manage his money, or that Street UK should carry out further checks. I consider the checks were proportionate to the circumstances of the lending and I find it was reasonable for Street UK to find the loan was affordable and that it made a fair lending decision.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 20 January 2022.

Amanda Williams
Ombudsman