

The complaint

Mr K has complained that Chetwell Financial Limited (Trading at the time as “Live Lend”) provided him with an unaffordable loan.

What happened

Live Lend provided Mr K with a personal loan of £1,000.00 in November 2018. This loan had a 24-month term with a monthly repayment amount of £53.47. This all meant the total amount repayable of £1283.18 was due to be repaid.

One of our investigators looked at this complaint and didn’t uphold Mr K’s complaint. He concluded that Live Lend carried out proportionate checks and made a fair lending decision based on what it had in front of it.

Mr K disagreed with our investigator and asked for an ombudsman to review the complaint.

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 unaffordable/irresponsible lending - including the key rules, guidance and good industry practice - on our website. And I’ve referred to this when deciding Mr K’s complaint.

Having carefully thought about everything, I think that there are overarching questions that I need to answer in order to fairly and reasonably decide Mr K’s complaint. These questions are:

- Did Live Lend complete reasonable and proportionate checks to satisfy itself that Mr K would be able to repay his loan in a sustainable way?
- If so, did it make a fair lending decision?
- If not, would those checks have shown that Mr K would’ve been able to do so?

Live Lend provided this loan while it was authorised and regulated by the Financial Conduct Authority (“FCA”). The rules and regulations in place required Live Lend to carry out a reasonable and proportionate assessment of Mr K’s ability to make the repayments under this agreement. This assessment is sometimes referred to as an “affordability assessment” or “affordability check”.

The checks had to be “borrower” focused – so Live Lend had to think about whether repaying the loan would cause significant adverse consequences *for Mr K*. In practice this meant that Live Lend had to ensure that making the payments to the loan wouldn’t cause Mr K undue difficulty or adverse consequences.

In other words, it wasn't enough for Live Lend to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mr K. 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 upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount / type / cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

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 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 *longer* the term of the loan (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make payments for an extended period); and

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 also be other factors which could influence how detailed a proportionate check should've been for a given loan application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances.

I've carefully thought about all of the relevant factors in this case.

what checks did Live Lend do?

Live Lend gathered some information from Mr K before it agreed the loan. It asked him for details of his income. Live Lend verified Mr K's income by looking at an online income verification tool and used a monthly figure of £1909.

Live Lend then gathered information from Mr K about his living costs (£800), his rent (£475) and says it could see he had credit commitments of £315 a month after it says it ran a credit search.

Live Lend worked out that this left Mr K with disposable income which meant that the monthly contractual instalments of around £54 that he had signed up to make on this loan should have been comfortably affordable for him. It also says it didn't see anything that it felt demonstrated that Mr K was having any financial problems.

did Live Lend do proportionate checks?

I've carefully considered whether the information that Live Lend gathered at the time should reasonably have triggered further checks. On balance, I don't think that the information Live Lend had collected about Mr K's financial situation was enough to prompt a reasonable lender to think it needed to do further or more in-depth checking.

On balance, I think based on the checks it carried out that there wasn't anything that would have alerted it to wanting to find out more. So, I think the checks it carried out were proportionate.

did Live Lend make a fair lending decision?

Taking things as a whole, I think it would have been reasonable for Live Lend to consider that the monthly repayments on its loan were affordable for Mr K – allowing for the amount it had assessed to be his disposal income.

I've needed to see whether Live Lend made a fair lending decision based on what it had in front of it, and from what I have seen, I think it did.

Overall, I think the checks that Live Lend carried out before lending to Mr K were reasonable and proportionate. I think it was reasonable in the circumstances for Live Lend to have relied on the information that Mr K provided and what it found in its checks - and this was enough to enable Live Lend to gain a reasonable understanding of his financial situation and see that Mr K appeared to be managing his money without any significant payment problems. I don't think more in-depth checks – such as requesting bank statements were required.

So, I haven't seen enough to be able to uphold Mr K's irresponsible lending complaint.

In conclusion, I do not uphold Mr K's complaint.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against Chetwood Financial Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 21 March 2022.

Mark Richardson
Ombudsman