

The complaint

Mr N complains Chetwood Financial Limited trading as LiveLend (LiveLend) acted irresponsibly when it provided a loan facility to him.

What happened

Mr N says when he applied for a loan with LiveLend in November 2019, he was in financial difficulties and was struggling with a gambling problem, which should have been obvious to LiveLend if they had carried out more thorough background checks. Mr N says his bank statements would have shown LiveLend that his income and expenditure differed to his loan application and evidenced he was gambling. Mr N also says his credit report would have also shown at the time of his loan application he was using payday loans and making heavy use of his overdraft facility on his bank account. Mr N says he is suffering from depression and his finances are under pressure. Mr N has asked LiveLend to accept it lent to him irresponsibly, and as a result they should refund the interest charged to his loan account and remove any adverse entries from his credit file.

LiveLend says it completed a number of checks when Mr N applied for the loan facility, including a full credit search and income verification checks. LiveLend says Mr N's net disposable income showed the loan requested was affordable, and his credit history was satisfactory - based on this LiveLend didn't feel bank statements were required before approving the loan. LiveLend says Mr N was given the opportunity in the final stage of the loan application process, to confirm he was happy he could meet the monthly loan payments, before accepting the terms and conditions.

Mr N wasn't happy with LiveLend's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator felt LiveLend had carried out reasonable affordability checks to determine if the loan was affordable to Mr N. The investigator says that LiveLend wouldn't have been aware from the checks it carried out, that Mr N was suffering mental health issues and had a gambling problem unless they were informed of that. The investigator was satisfied the checks carried out by LiveLend were proportionate to the level of borrowing requested and sufficient enough for it not to ask for sight of Mr N's bank statements.

Mr N didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

I sent both sides a provisional decision, where I said:

I've considered all of the evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I have come to a different outcome to the investigator and I will explain how I have come to my decision.

I was sorry to learn of Mr N's financial issues and the other problems he is facing, and this

must be a difficult time for him. When looking at this complaint I will consider if LiveLend acted irresponsibly when it provided a loan to Mr N in November 2019.

Mr N's complaint centres around, in his view, LiveLend's failure to carry out sufficient checks on his financial position, before approving a £7,000 loan in November 2019. Mr N maintains LiveLend should have checked his background more thoroughly at this time and if it had asked for bank statements and properly looked into his credit history, it would have shown he was having financial problems and a gambling issue. Mr N also says, further and more detailed checks would have shown him using payday loans and full usage of an overdraft facility with his bank, leading up to the loan application with LiveLend.

The first thing to say is because consumers have other lending with other providers, including payday loans, this wouldn't on its own necessarily mean someone is experiencing financial difficulties. What is important, is when businesses like LiveLend provide lending facilities, they carry out reasonable and proportionate checks before doing so. It's worth saying there are no set rules what checks, lenders must undertake- this is in part dependent on the size and term of the borrowing. Here, Mr N applied for a £7,000 loan with LiveLend and completed an online application and from the information I have seen, he stated an income of £2,100 per month and he was in full time employment. LiveLend have provided confirmation to this service they conducted an income verification check over a 6 and 12-month period which confirmed these income levels - this is a system provided by a major Credit reference agency to lenders like LiveLend, when they check loan applications like this. So, it's fair to say LiveLend carried out reasonable credit checks here, but it's one thing to carry out these checks and another to make sure when those checks have been made the information gathered from it, is fully considered and acted upon and I'm not convinced it was here.

I say this because I have been provided with a copy of a credit report by the same credit reference agency, LiveLend say they used at that time. LiveLend have told this service their credit checks didn't highlight any issues on Mr N's credit files, however, that's not entirely correct. I have established from the credit report Mr N had a late payment to a loan company in July 2019, but more of a concern, is on one of Mr N's bank current accounts, the report shows five consecutive months from August to December 2018, where a warning marker had been recorded. I've established these markers refer to an 'Arrangement to Pay', which indicates there was an issue with Mr N's bank account for a protracted period of time. What's important here, is from the information I have seen, LiveLend never questioned this with Mr N to establish what the issue was, and it's reasonable to assume if they had, it could have led to a different lending decision by them.

As I mentioned earlier, this service considers any checks made by businesses like LiveLend, should be proportionate, but here the amount being lent was for a sizeable sum, committed for a period of three and a half years. While I can understand LiveLend may not ordinarily ask for sight of bank statements before approving a loan facility, in this instance as there was clearly some issues on one of Mr N's bank accounts, I am satisfied that required further investigation.

While LiveLend will be disappointed with my decision, I propose LiveLend refund all interest and charges applied to Mr N's loan account, to reduce the balance outstanding on that loan and remove any adverse credit information from Mr N's credit file relating to this loan. In addition, LiveLend should pay Mr N £150 for the trouble and upset caused. I would also recommend, if not already in place, that LiveLend should set up a suitable payment plan with Mr N here.

Both Mr N and LiveLend responded to my provisional decision, so the case has been passed back to me to make 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.

I gave both Mr N and LiveLend until 16 January 2022 to accept or reject my provisional decision. Mr N has accepted my provisional decision but LiveLend didn't agree and raised further points for me to consider.

LiveLend says they wouldn't have altered their decision to lend despite the fact Mr N's bank account had previously shown five successive months with an 'arrangement to pay' marker. LiveLend make the point they are not a 'Prime' lender and accept a certain level of adverse information for its applicants. LiveLend reiterate the point, they carried out credit searches and income checks and these met their lending criteria and felt, based on Mr N's income and expenditure the loan was affordable. LiveLend says the issue with Mr N's bank account happened 10 months prior to the loan they approved for Mr N and there had been no adverse information registered against Mr N before or after that time. LiveLend says it was plausible Mr N had taken the loan with them to consolidate his debts and by so doing, reduced his monthly outgoings.

I understand the points LiveLend have made, but the first thing to say here is the fact, in their words, they are not advertised as a prime lender doesn't mean they shouldn't carry out sufficient and proportionate checks, before providing lending facilities. It's fair to say, in my provisional decision I have acknowledged LiveLend did carry out checks and searches, my issue was more that once carrying out those checks, they didn't act upon the information it highlighted. As I referred to in my provisional decision, this wasn't a small sum of money being lent and over a period of 42 months, so I would expect LiveLend to have at least have questioned the fact that for almost half a year Mr N had experienced issues with his bank account, 10 months prior to the loan being approved. So, I don't support LiveLend's argument they had sufficient information about Mr N's ability to repay the borrowing, without having first discussed this matter with him, to understand what had caused the arrangement to pay markers to have been registered by his bank.

While LiveLend feel it's plausible the loan Mr N took out was to consolidate other debts, so reducing his outgoings further, I can see no evidence to support that view, or that it has any bearing on why they didn't question the issue of the arrangement to pay markers, previously mentioned.

With that in mind, I can't say the points raised by LiveLend has changed my original provisional decision and see no need to change or add to this, and so my provisional decision remains the same.

Putting things right

I instruct Chetwood Financial Limited trading as LiveLend to refund all interest and charges applied to Mr N's loan account, to reduce the balance outstanding on that loan and remove any adverse credit information from Mr N's credit file relating to this loan. In addition, LiveLend should pay Mr N £150 for the trouble and upset caused. I would also recommend, if not already in place, that LiveLend should set up a suitable payment plan with Mr N here.

My final decision

My final decision is that I uphold this complaint.

I instruct Chetwood Financial Limited trading as LiveLend to refund all interest and charges applied to Mr N's loan account, to reduce the balance outstanding on that loan and remove any adverse credit information from Mr N's credit file relating to this loan. In addition, LiveLend should pay Mr N £150 for the trouble and upset caused. I would also recommend, if not already in place, that LiveLend should set up a suitable payment plan with Mr N here.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 14 February 2022.

Barry White
Ombudsman