

The complaint

Mr G has complained that Chetwood Financial Limited trading as Live Lend was irresponsible in lending to him.

What happened

In November 2020 Mr G applied online for a loan from Live Lend for £10,000. The loan was taken out over 30 months with an APR of 34.2% and his monthly repayments were £475.68 making the total repayable at the end of the term £14,270.34.

Mr G complained that Live Lend hadn't properly checked the loan was affordable for him. He said if Live Lend had checked his bank statements, it would have seen that he'd lost thousands of pounds in gambling shortly before applying for the loan and also borrowed almost £15,000 from other lenders around the same time.

Live Lend looked into his complaint and didn't uphold it. It said it had correctly assessed his suitability for a loan at the time he made his application. Mr G referred his complaint to us.

I issued a provisional decision explaining why I was minded not to uphold Mr G's complaint. An extract from my provisional findings is set out below:

"We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

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

- 1. Did Live Lend complete reasonable and proportionate checks to satisfy itself that Mr G would be able to repay loan in a sustainable way?*
 - If so, did it make a fair lending decision?*
 - If not, would those checks have shown that Mr G would've been able to do so?*
- 2. Did Live Lend act unfairly or unreasonably in some other way?*

The rules and regulations in place required Live Lend to carry out a reasonable and proportionate assessment of Mr G'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 focussed" – so Live Lend had to think about whether repaying the loan would be sustainable. In practice this meant that the business had to ensure that making the repayments on the loan wouldn't cause Mr G undue difficulty or significant adverse consequences. That means he should have been able to meet repayments out of normal income without having to borrow to meet the repayments, without failing to make any other payment he had a contractual or statutory obligation to make and without the repayments having a significant adverse impact on his financial situation.

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 G. 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 consumer'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).*

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

With regard to the first question Mr G told Live Lend when he applied for the loan that his monthly income was £6,186, his rent was £925 a month and he spent £950 on other living costs. To verify that, Live Lend carried out a full credit search and completed checks on the bank details he'd provided to verify his income. The credit search showed that Mr G had two credit cards with a total balance of £244 outstanding and three current accounts which were in credit. This would have reassured Live Lend that Mr G had a high level of income and was good at managing credit. Live Lend calculated that Mr G would have a disposable income of £3,905 a month after making his loan repayment to it. So I think it was reasonable for Live Lend to consider the results of the credit check as representing a consumer in a secure financial position.

Live Lend's credit search didn't show the other recent loan applications he'd made as this information doesn't show on a customer's credit file straightaway.

However Live Lend would have known about the recent loans and Mr G's gambling problem if it had asked for sight of his bank statements. I've considered whether as part of carrying out reasonable and proportionate checks Live Lend should have asked for a copy of these. But I think it's important to bear in mind that the checks Live Lend had carried out showed that Mr G appeared to be managing his finances very well. In the light of this I can understand why Live Lend didn't feel the need to check Mr G's outgoings further before agreeing the loan and I think it was reasonable for Live Lend to rely on the information provided by him about his living costs.

I've also considered whether Live Lend should have queried why Mr G was taking out an expensive loan which was less than three months' worth of his disposable income. I agree that's a fair question but it doesn't appear to be one that Live Lend asked at any point in the application process. However I don't think it would have been proportionate for Live Lend to make such detailed enquiries. It might reasonably have assumed that Mr G might have had some additional discretionary expenditure that ate into his surplus income.

So I currently think it was reasonable for Live Lend to approve this loan to Mr G. I appreciate that my decision will be disappointing for him. But I think that the lender was entitled to rely on the information he provided about his finances, as supported by the results of its checks. And those suggested that the loan would be sustainably affordable.

I've also thought about whether Live Lend acted unfairly in some other way and I haven't seen any evidence that it did. So I'm not minded to uphold the complaint."

Mr G was understandably very disappointed by my provisional decision. He referred me to several decisions on our website where complaints had been upheld in what he thought were similar circumstances to his own. He also referred me to a complaint which has been provisionally upheld against another lender who lent to him about the same time as Live Lend.

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.

Firstly I should explain that any complaint considered by the Financial Ombudsman Service is done so on its own merits. My findings here are specific to the evidence and circumstances relating to Mr G's complaint about Live Lend. I've seen a copy of the provisional decision for Mr G's other complaint. But the circumstances of that loan application were different from the one I'm looking at, for example with regard to the questions Live Lend asked as part of the application process about expenditure and the checks it did to establish Mr G's disposable income.

I should also point out that generally I think it's reasonable for a lender's checks to be less thorough - in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

To recap, the data that Live Lend had from its credit check included:

- monthly Income (verified over both 6 and 12 months),
- verification of address / electoral roll (demonstrating stability),
- experience with credit across both loans and credit cards (all settled),
- evidence of historic Short Term High Cost Credit but it dated back over 2 years (i.e. not current),
- verification of two credit cards at c.35% utilisation, suggesting good credit management /plenty of headroom.

In addition Live Lend had information from Mr G about his employment status, monthly rent and monthly non-discretionary living costs. It asked him questions about his rent, household bills and subscriptions, transport and travel, food, clothing and other regular spending. The figures that he gave for his rent and living costs (£925 and £950) were high enough to look realistic in my view.

With the repayment of the Live Lend loan on top of the other credit commitments revealed by the credit search it appeared that Mr G was due to spend under 7% of his monthly income on debt. When that was considered alongside Mr G's verified monthly net income and declared living expenses, it seemed to leave a considerable disposable income for him.

I have thought carefully about whether it was sufficient for Live Lend to rely on the above information before approving the loan to Mr G. Or whether it should, as Mr G suggests,

have sought independent verification such as sight of his bank statements. On balance I think Mr G's financial situation appeared to be so sound as to make it reasonable for Live Lend to rely on the information it had without further independent evidence. I appreciate how disappointing my decision will be for Mr G but I don't think there was anything in the results of the checks that might have led Live Lend to consider that Mr G would be likely to be unable to repay the loan in a sustainable manner.

My final decision

Having considered all the evidence provided to me, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 4 April 2022.

Elizabeth Grant
Ombudsman