

The complaint

Miss D is unhappy that Chetwood Financial Limited, trading as LiveLend, approved her for a loan which she feels wasn't affordable for her at that time.

What happened

In June 2019, Miss D applied to Chetwood for a £3,000 personal loan to be repaid over 24 months. Her application was approved, and the loan capital amount was provided to Miss D by Chetwood.

In March 2021, Miss D raised a complaint with Chetwood because she felt she hadn't been able to afford the loan she'd been approved for in June 2019, and that this should have been apparent to Chetwood had they undertaken checks into her financial position before approving the loan.

Chetwood looked at Miss D's complaint. They confirmed they had undertaken checks into Miss D's financial position before approving her loan application, and they felt that there'd been nothing resulting from these checks that should have given them cause to suspect that Miss D might not be able to repay the loan she was applying for. So, they didn't uphold Miss D's complaint.

Miss D wasn't satisfied with Chetwood's response, so she referred her complaint to this service. One of our investigators looked at this complaint. They felt the information that Chetwood assessed before approving the loan should have given them cause to suspect that Miss D might not be able to afford the loan at that time, and that if Chetwood had conducted further checks into Miss D's financial position that these checks would have confirmed that Miss D couldn't afford the loan such that it shouldn't have been approved.

Chetwood didn't agree with the view of this complaint put forwards by our investigator, so the matter was escalated to an ombudsman for 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.

It's for a business to decide whether it will offer credit to a customer, and if so, how much and on what terms. What this service would expect would be, that before approving a customer for a new line of credit, or before increasing the amount of credit available to a customer on an existing line of credit, the business would undertake reasonable and proportionate borrower focussed checks to ensure that any credit being offered to a customer is affordable for that customer at that time.

Chetwood believe that they did that here, and note that at the time of the loan application they took information from Miss D about her employment status and annual income, as well as obtained information from a credit reference agency to get a better understanding of Miss D's wider financial position. And Chetwood maintain that there was nothing resulting from

that information that they feel should have given them any reasonable cause to believe that Miss D might not be able to afford the loan she was subsequently approved for.

At first glance, Chetwood's position here appears understandable. Miss D had declared her net income as being approximately £2,050 per month, and this had been verified by Chetwood via a credit reference agency. While similar checks had suggested that Miss D had disposable income available to her (after essential spending and other existing credit commitments) of around £700 month.

Additionally, the information Chetwood obtained from a credit reference agency didn't seem to include any that Miss D was using short-term payday loans at that time (although it confirmed that she had used such loans previously) and appeared to suggest that Miss D was maintaining her existing credit commitments, which didn't appear unduly excessive in relation to her annual income, without incident.

However, a more considered assessment of the information Chetwood assessed at the point of the loan application leads to a different view of Miss D's financial position at that time.

For instance, it's notable that in the months leading up to the Chetwood loan application that Miss D had taken another loan for a greater amount than the one for which she was now applying. And it's also notable that Miss D held an existing credit account that was being maintained very close to the credit limit that was available to her on that account.

Finally, while Chetwood have stated that the information they received from the credit reference agency included that Miss D didn't have any active payday loans at that time, the information that they did assess includes a loan taken a few months before the Chetwood application which had a balance of £100 and monthly repayments of £14.

This is clearly a payday loan, regardless of whether it's described as such by the credit reference agency that Chetwood obtained the information from. And as such it begs the question as to why a person with as seemingly a high amount of monthly disposable income as Chetwood assessed Miss D as having would have an existing payday loan, a recently taken personal loan, and be maintaining an existing credit account close to the credit limit, and then be applying to Chetwood for yet more credit.

At the very least, I feel that the information available to Chetwood as outlined above should have given them cause to suspect that Miss D's financial position might not be as healthy as first appeared, such that further, more detailed checks into Miss D's financial position should have been carried out before approving Miss D's loan application.

And had Chetwood conducted these further checks, which I feel in all likelihood should have included asking Miss D for copies of her current account statements for the months leading up to the loan application, I'm satisfied that it would have become available to Chetwood that Miss D's financial position was considerably more strained than it first appeared, such that the provision of further credit to Miss D at that time wouldn't have been in her best interests.

I say this because it's evident from Miss D's current account statements that, while she only had one payday loan open at the time of her application to Chetwood, her recent financial history showed that she was borrowing regularly from payday lenders and that she was often borrowing from one lender in order to repay borrowing from a different lender. Additionally, Miss D's current account statements showed that she was having to use an unauthorised overdraft on her current account and was being charged for it, and also that in the month immediately before the application to Chetwood her financial position had deteriorated to the point where several of her direct debits had been returned unpaid.

I'm satisfied that this is a clear illustration of someone who was struggling financially at that time, and of a person who was already struggling to manage their existing credit commitments whereby she was effectively stuck in a cycle of debt such that the provision of further credit to her at that time was irresponsible.

And while I appreciate that Chetwood may say that the information that they assessed about Miss D appeared to show that her financial position was reasonable when she applied for the loan, such an assessment can only be considered valid on a first glance basis – which Chetwood, like all providers of credit, had an obligation to look beyond.

All of which means that my final decision here will be that I'll be upholding this complaint in Miss D's favour.

Putting things right

Chetwood must reimburse to Miss D's account all fees, charges, and interest incurred or accrued on the account from inception.

Following these reimbursements, if a credit balance remains in Miss D's favour, Chetwood must pay this balance to Miss D along with 8% simple interest calculated to the date of repayment.

If, following the above instructed reimbursements, a balance remains outstanding on the account for Miss D to pay, Chetwood must contact Miss D to arrange a suitable repayment plan with her, ensuring that no interest is applied to that balance while it's being repaid.

Finally, Chetwood must remove all adverse credit reporting relating to this account from the inception of this account from Miss D's credit file.

My final decision

My final decision is that I uphold this complaint against Chetwood Financial Limited, trading as LiveLend, on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 12 August 2022.

Paul Cooper
Ombudsman