

The complaint

Mr S complains that Buffa Loans Ltd was irresponsible to lend to him.

What happened

Mr S had three loans from Buffa Loans between 4 December 2020 and 13 July 2021 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Monthly Repayment</u>	<u>Due</u>	<u>Repaid</u>
1	4 Dec 2020	£250	168d	£73.88	21 May 2021	29 Dec 2020
2	6 Jul 2021	£400	168d	£117.14	21 Dec 2021	7 Jul 2021
3	13 Jul 2021	£500	161d	£139.51	21 Dec 2021	14 Jul 2021

Mr S says Buffa Loans should have carried out better checks before agreeing to the lending. He says he got into debt due to a gambling problem and his credit file showed he was dependent on borrowing.

Buffa Loans says Mr S applied for eleven loans between 4 December 2020 and 13 July 2021, of which it only approved three. It says it asked Mr S for information about his income and expenditure for the three successful applications and also reviewed his credit file. Buffa Loans said it compared the figures declared by Mr S with statistical averages for someone in the same circumstances and was satisfied they were reasonable. It also said his credit file did not indicate Mr S was in financial distress, so Buffa Loans found the repayments to be affordable.

Our adjudicator did not recommend the complaint should be upheld. She was satisfied that Buffa Loans carried out proportionate checks and there was nothing in the available information that should have indicated the lending was irresponsible.

Mr S's representative responded to say that he wanted the case reviewed by an ombudsman.

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.

Buffa Loans 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 S could repay the loans 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 Buffa Loans 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 Buffa Loans was required to establish whether Mr S could sustainably repay his loans – 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 be an indication 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 S's complaint.

Loan 1

When Mr S applied for this loan, Buffa Loans asked him about his income and expenditure and checked his credit file. It also verified his income and confirmed his living arrangements. Although the credit check showed two defaults, the most recent was almost a year earlier and both had been settled. Mr S had four active credit accounts at the time, but only one had a balance on it (£1,015 on a mail order account) and payments were up to date. As the

scheduled repayments were only 5% of Mr S's income, and the credit file did not show any current financial difficulties, I'm satisfied these checks went far enough and there was nothing to indicate the repayments were unsustainable.

Loan 2

Mr S repaid loan 1 within a month and was approved for loan 2 more than six months later. Due to the break in lending, this can be considered as a new loan chain as it was reasonable for Buffa Loans to assume Mr S was not dependent on the loans. Buffa Loans repeated the same checks and again I consider they were proportionate. Although the repayments were slightly higher, at 8% of Mr S's income, his credit file showed his mail order balance was now down to £94. He'd also taken out an additional credit card, but he had a zero balance on it at the time of loan 2. The credit file did show that Mr S was using multiple short-term loans at the end of 2020, and into early January 2021, but all these had been settled six months before loan 2. So I found that Buffa Loans made a fair lending decision for loan 2.

Loan 3

Mr S repaid loan 2 within a day but took out a slightly higher loan a week later. The loan repayments remained at less than 10% of Mr S's income and the credit file remained largely the same, with the exception of a new short-term loan which Mr S was repaying at £91 per month. Based on all the information, I'm satisfied that Buffa Loans's checks went far enough and that it was reasonable to find the loan repayments were sustainable for Mr S.

In summary, I'm not upholding the complaint about any of the loans.

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 S to accept or reject my decision before 27 September 2022.

Amanda Williams
Ombudsman