

The complaint

Mr L says Salary Finance Loans Limited irresponsibly lent to him.

What happened

Mr L's complaint is about a loan provided by SFL. The loan was for £24,571 and was advanced in April 2021.

Mr L complains that SFL irresponsibly lent to him.

Our adjudicator upheld Mr L's complaint and thought that SFL hadn't made a fair lending decision based on the results of the checks it carried out.

SFL disagreed with the adjudicator so the case has been passed to me for a 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.

The general approach to complaints about unaffordable and irresponsible lending, including the key relevant rules, guidance and good industry practice are set out on this services website.

SFL needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice, this means that it should have carried out reasonable and proportionate checks to make sure Mr L could afford to prepay what he was being lent in a sustainable manner.

These checks could take into account a number of different things, such as how much was being lent, the length of the agreement, the frequency and amount of the repayments, the total amount repayable and what SFL knew about Mr L at the time he applied for the loan.

I can see that SFL obtained information about Mr L's income and expenditure and his credit commitments. SFL used this information to calculate Mr L's disposable income and made an assessment of whether the loan was affordable.

The adjudicator thought that these checks were reasonable and proportionate but found that the decision to lend was unfair. I agree with the adjudicator that the checks were reasonable and proportionate. So, I've focussed on whether the decision to lend was fair, based on the results of the checks.

Mr L's monthly outgoings (not including credit commitments) were £1726 as evidenced on his application form, which is significantly higher than the figure of £729 used in SFL's calculations.

The stated purpose of the loan was debt consolidation. However, there's no information about which debts Mr L intended to consolidate. Mr L's credit commitments at the time of the application were £334, with this figure representing minimum repayments rather than

reducing the overall debt.

Taking this information into account, Mr L's consumer credit repayments (including the monthly payments of £632 for the loan) represented a significant proportion of his income. Based on the information I've seen, I don't think Mr L could afford to repay what he was being lent in a sustainable manner. It seems likely that Mr L would've needed to arrange further borrowing to meet his commitments. Taking everything into consideration, I don't think the decision to lend was fair.

Putting things right

Where I find that a business has done something wrong, I'd normally direct the business to put the complainant back in the position they would be in had the mistake not happened, as far as is reasonably practical.

In this case, that would mean putting Mr L in the position he would be in now if he hadn't been given the loan. But Mr L was given the loan and he's used the money and made repayments.

In this case, I think it's fair that Mr L should only have to repay the money he's borrowed and had use of. So, I think SFL should refund the interest and charges Mr L has paid on the loan. I also think SFL should remove any negative information recorded on Mr L's credit file in relation to the loan, so that Mr L isn't adversely affected by SFL's decision to lend to him irresponsibly.

My final decision

My final decision is that I uphold the complaint. Salary Finance Loans Limited must:

1. Add up the total amount of money that Mr L received as a result of having been given the loan. The repayments made by Mr L should be deducted from this amount.

If this results in Mr L having paid more than he received, any overpayments should be refunded along with 8% simple interest calculated from the date the overpayments were made to the date of settlement. *

If any capital balance remains outstanding, SFL must try to agree an affordable payment plan with Mr L

2. Remove any adverse information recorded on Mr L's credit file in relation to the loan

*HMRC require SFL to take off tax from the refund of interest. SFL must give Mr L a certificate showing how much tax has been deducted if he asks for this.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 31 October 2022.

Emma Davy
Ombudsman