

## **The complaint**

Miss W says Salary Finance Limited irresponsibly lent to her.

## **What happened**

Miss W's complaint is about a loan provided by SFL. The loan was in the sum of £20,000 for a term of 60 months repayable at £508.69 per month.

Miss W complains SFL irresponsibly lent to her.

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

SFL didn't agree so the complaint 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 service's website.

SFL needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice, this means that it should've carried out reasonable and proportionate checks to make sure Miss W could afford to repay what she 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 repayments, the total amount repayable and what SFL knew about Miss W at the time she applied for the loan.

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

The adjudicator thought that the checks carried out by SFL 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 information SFL had obtained.

The credit checks carried out by SFL showed that Miss W was already paying over £500 per month towards consumer credit commitments. The figure represents minimum repayments rather than a reduction of the overall debt.

The stated purpose of the loan was debt consolidation. However, there's no information about which debts Miss W intended to consolidate. So it isn't clear which debts would be consolidated and /or what the impact would be on Miss W's overall financial position.

Taking this information into account, it's clear that Miss W's consumer credit commitments, including the new loan, represented a significant proportion of her net monthly income. Based on what I've seen, I don't think Miss W could afford to repay what she was being lent in a sustainable manner. I think that in order to meet her commitments it's likely that she would need to borrow again. In all the circumstances, I don't think the loan was affordable and 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 consumer back in the position they would be in had the mistake not happened, as far as reasonably practical.

In this case, that would mean putting Miss W in the position she would be now if she hadn't been given the loan. However, Miss W was given the loan and she's used the money and made repayments.

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

### **My final decision**

To settle this complaint, Salary Finance Limited must:

1. Add up the total amount of money Miss W received as a result of the loan. The repayments made by Miss W should be deducted from this amount.

(a) if this results in Miss W having paid more than she received, any overpayments should be refunded along with 8% simple interest calculated from the date the overpayments were made to the date of settlement. \*

(b) if any capital balance remains outstanding, SFL must agree an affordable payment plan with Miss W

2. Remove any negative information recorded on Miss W's credit file in relation to the agreement.

\*HMRC require SFL to take off tax from the refund of interest. SFL must give Miss W a certificate showing how much tax has been deducted if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 2 November 2022.

Emma Davy  
**Ombudsman**