

The complaint

Mr B's complaint is that Equifinance Limited's decision to lend to him was irresponsible. This is because it didn't have concerns about the fact that he gambled at the time the application was approved, and it didn't complete any further checks for changes in his circumstances when there was a delay in the advance being paid out. He has told us that in the three months between provision of evidence about his finances, and the advance being made, he gambled excessively, failed to make loan and mortgage payments and was in severe financial difficulty and experiencing mental health issues.

In settlement of the complaint, Mr B wants Equifinance to refund to him all the fees and interest charged, and commission incurred.

What happened

In the spring of 2021 Mr B wanted to take out additional borrowing for home improvements and approached an independent mortgage broker for advice. It looked into the market and recommended a loan with Equifinance and an illustration for the loan was produced on 19 May 2021.

An application was sent to Equifinance for a loan of £39,495, including fees, over 25 years on 8 June 2021. The information provided with the application indicated that Mr B had two credit cards with outstanding balances totalling £892 and a repayment mortgage. Alongside the application he provided an annual bank statement ending as at 3 May 2021 and an accountant's statement confirming his income.

Equifinance indicated that it would accept the application, but wanted evidence of the removal of the joint property owner from the property title before it could progress. Confirmation that an application to the Land Registry had been made was provided to Equifinance on 9 June 2021, but it was not until 13 July 2021 that the confirmation that the application had been successful was provided. The loan offer was issued to Mr B the same day. He accepted the offer and the advance was made two days later.

In the autumn of 2021 Mr B complained to Equifinance about his loan. He said he thought he'd been sold a re-mortgage not a second charge loan. In addition, he said that the loan repayments were unaffordable, and this should have been obvious at the time. He pointed out that during the delay between the application being accepted and advanced, his financial situation had deteriorated.

Equifinance sent its response to Mr B on 8 December 2021. It confirmed details of the application it had received and the checks it had done to establish affordability. Equifinance said it was satisfied that the loan had been affordable based on the information it was provided with by Mr B, his accountant and broker. In relation to the time that had lapsed between the mortgage being approved and the advance, Equifinance pointed out these things happened on 9 June 2021 and 15 July 2021 respectively, so months hadn't passed. It explained that as there hadn't been a significant amount of time between the loan approval and the advance, it wouldn't request any further information, unless Mr B had made it aware there were foreseeable changes.

The property the loan was secured on was sold in early 2022 and Mr B referred the complaint to this service shortly thereafter. When he did so, he explained that he'd had a gambling problem at the time of the sale, which had been evident from his bank statements, and so the lending was irresponsible.

When Equifinance provided its file of papers, it confirmed that the bank statement it had been provided with did not include any evidence of transactions with gambling organisations and it had been unaware that Mr B had a gambling problem.

One of our investigators considered the complaint, but he didn't recommend that it be upheld.

Mr B didn't accept the investigator's view. He provided various email conversations between himself, and the Land Registry or his broker, which he considered showed 'rules being bent and loopholes exploited to guarantee his credit, despite him not ever being in a position to afford the loan'.

The investigator considered the information, but didn't change his conclusions. He highlighted that the email conversations were had with third parties, including Mr B's broker, and Equifinance was not responsible for their content. Mr B then commented on the information the broker had before the application, including his gambling. He also repeated that three months wasn't an acceptable time period for his application to have taken to process. Mr B asked that the complaint be escalated.

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.

Before commenting on the merits of this complaint, I would confirm that Equifinance and the broker Mr B used to source the loan are separate businesses and I can't hold Equifinance responsible for anything the broker did or didn't do. Nor can I attribute knowledge that the broker may have had to Equifinance unless there is evidence the broker forwarded that information to it. If Mr B has concerns about the advice or service he received from the broker, he would need to raise those issues directly with the broker.

While not part of his complaint to this service, I will address the point Mr B raised with Equifinance about believing he had re-mortgaged his house to it, rather than having taken a second charge loan in addition to his existing mortgage. As our investigator pointed out, the documentation from both before and after the application was clear that this was a second charge loan and not a re-mortgage. In addition, I note from the email conversations Mr B recently provided, in September 2021 when asking if he would be able to get a further loan, he referred to the Equifinance arrangement as just that, a loan, not a mortgage. There were then discussions about the possibility of a third charge loan being arranged. Overall, I am not persuaded that the information provided by Equifinance would have led Mr B to believe he had re-mortgaged his property to it.

Mr B has said that it took months to process his application and so Equifinance should have asked for further evidence of income and expenditure before advancing the loan. His belief is that if it had, this would have evidenced that the loan was not affordable and/or that he had a gambling problem. As Equifinance didn't ask for further evidence, Mr B considers that the lending decision was irresponsible.

I have looked at the dates involved in this case and while Mr B thinks the arrangements took months, I can't agree. The application was submitted to Equifinance on 8 June 2021 and the mortgage offer was issued on 13 July 2021 – just 5 weeks later. The advance was then made two days after that. This was within the timescales I would expect an application to take to get to offer stage and I don't consider that there was any need for Equifinance to request further income and expenditure evidence, given what it had been provided with alongside the application.

As for the checks that were actually done, it appears that Equifinance completed quite standard checks and requested the information I would expect. Lenders typically want bank statements for three months before the application and proof of income, which Mr B provided alongside his application. It also obtained a credit report for Mr B when the application was made and there were no significant issues showing on the report.

Mr B has said that his broker knew about his gambling and Equifinance should have realised as it showed in his bank statements. However, there is no evidence that the broker told Equifinance about Mr B's gambling, if it did know about it. In addition, the statement for the bank account Mr B chose to provide to Equifinance doesn't show any evidence of gambling, unlike those that he provided to this service, which do. In the circumstances, I can't find that Equifinance were negligent or inadequate in the checks it completed or that the lending decision was irresponsible, based on the information it had been provided.

My final decision

My decision is that I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I am required to ask Mr B to accept or reject my decision before 17 February 2023.

Derry Baxter
Ombudsman