

The complaint

Miss P complains that Salad Finance Limited lent irresponsibly when it approved a loan.

What happened

Miss P applied for a loan with Salad Finance in August 2021. Salad Finance approved the application and gave Miss P a loan for £1000 over a term of 12 months with monthly instalments of £108.84. The total amount repayable was £1305.47.

Miss P complained that Salad Finance had lent irresponsibly. Salad Finance didn't uphold the complaint. Miss P brought her complaint to this service.

Our investigator thought that Salad Finance had carried out proportionate checks and that the lending decision was fair.

Miss P didn't agree. She didn't think there had been proportionate checks. The complaint has been referred to me 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering Miss P's complaint.

Before agreeing to lend, the rules say that Salad Finance had to complete reasonable and proportionate checks to ensure that Miss P could afford to repay the debt in a sustainable way. These affordability checks need to be focussed on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors including the amount of credit, the amount of repayments, the cost of credit and the consumers individual circumstances.

There's no set list of checks a lender must complete. But lenders are required to consider the factors I've mentioned above when deciding what's reasonable and proportionate.

Salad Finance says it used open banking to obtain information about Miss P's income and expenditure.

I've reviewed the information it obtained. This shows that Miss P was employed with an average net monthly salary of around £1972. Miss P also received child benefit of around £49 per week and universal credit of around £1211 per month.

Miss P's average monthly expenditure was £2800. This included payments for housing, utilities, household and existing consumer credit commitments. These checks identified that Miss P was making payments to a debt collection agency for around 10 months, with no missed payments.

I can see that Salad Finance carried out checks to identify whether there was any gambling spending on Miss P's account and whether there was evidence of large cash withdrawals. No evidence of either was identified.

Based on what I've seen, I think Salad Finance carried out reasonable and proportionate checks before approving the loan. I don't think there was anything in the information gathered by Salad Finance to necessitate further or more detailed checks being carried out.

I've gone on to consider whether the lending decision was fair.

The information gathered by Salad Finance showed that Miss P had disposable income of around £600 per month before the payment for the new loan. There was nothing to suggest that Miss P was experiencing financial difficulties, or that the loan was unaffordable. Based on the checks carried out and the information obtained, I'm unable to say that Salad Finance lent irresponsibly.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 4 February 2023.

Emma Davy
Ombudsman