

The complaint

Mr L complains Fluro Platform Limited trading as Lending Works ('Lending Works') irresponsibly lent to him.

What happened

Lending Works approved Mr L for a £5,000 loan in June 2019. The term of the loan was 36 months, with repayments of approximately £170 per month. The purpose of the loan was listed as debt consolidation.

Mr L complains Lending Works did not complete reasonable and proportionate checks before approving the loan. He says had it done so it would've realised the loan was unaffordable to him. Mr L says he had a number of existing credit commitments and that he was spending a significant proportion of his income on gambling.

Our investigator did not recommend the complaint be upheld. She felt Lending Works had completed reasonable and proportionate checks. These checks had not highlighted Mr L was experiencing financial difficulties, and as such it did not need to get a further understanding into Mr L's finances before approving the loan. She said the checks Lending Works completed demonstrated the loan was affordable to Mr L.

Mr L disagreed with the assessment. He maintained the checks Lending Works completed were not proportionate. He says that he had recently changed employers and he had a high level of existing debt, which was as a result of him regularly using a proportion of his income on gambling. He says these should've flagged to Lending Works that he was a higher risk to be lent to and prompted it to complete further checks. He maintains had Lending Works done this it would've seen he could not afford this loan.

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 approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. I've used this approach to help me decide Mr L's complaint.

Lending Works and Mr L are aware of our services approach to unaffordable and irresponsible lending complaints, so for the sake of conciseness I won't set out the detail here.

Having carefully considered all of the relevant information, I'm satisfied this complaint should not be upheld. This is for broadly the same reasons that our investigator set out to Mr L.

Mr L says Lending Works did not complete reasonable and proportionate checks. He says the information it gathered should've prompted Lending Works to complete further checks. And had it done so, it would've realised the loan was unaffordable to Mr L. Mr L says this is

because he already had a high level of existing credit commitments, and that his expenses were higher due to the fact he was spending significant amounts of his available funds on gambling transactions.

Lending Works needed to take reasonable steps to ensure the lending it provided was responsibly lent to Mr L. The relevant rules, regulations and guidance at the time Lending Works lent effectively required it to carry out reasonable and proportionate checks. These checks needed to assess Mr L's ability to afford the loan and repay it sustainably over its term, without causing him financial difficulties.

There isn't a set list of checks a lender needs to carry out, but they should've been effectively proportionate, taking into account things like the type, amount, duration and total cost of the credit, as well as the borrower's individual circumstances.

In this instance, I'm satisfied that Lending Works completed reasonable and proportionate checks before lending to Mr L. I can see that Lending Works completed an income and expenditure assessment (relying on some information which Mr L declared himself). Mr L declared his income to be around £2,350 per month, and Lending Works used a third-party online verification tool to cross-check if this figure was broadly accurate. In working out Mr L's outgoings Lending Works completed a search of Mr L's credit file and asked him questions about his main non-credit related outgoings. Lending Works used an estimation for Mr L's outgoings based on his salary and his living arrangements. Mr L did not provide an answer to how much rent or mortgage he paid so Lending Works used a figure of £350 for this amount.

The credit file search was used to verify Mr L's existing credit commitments. This search demonstrated that Mr L had a number of existing credit commitments. These included an existing unsecured loan, two credit cards and a small overdraft. The total amount of credit was around £15,800. The credit report showed that Mr L had been maintaining these accounts well. And there were no major signs of sustained difficulties – such as recent registered defaults or CCJ's.

Using this information, Lending Works, completed its affordability assessment which demonstrated that Mr L would have a sufficient amount of income to meet the necessary repayments. It says that there was no information which it gathered which called into question the information Mr L provided.

I've considered Mr L's arguments but I'm not persuaded by them in this instance. Mr L says that he had a number of existing credit commitments which should've prompted Lending Works to complete further checks. I've seen the information which Lending Works gathered, and I'm satisfied that it was aware of a number of existing credit commitments Mr L had. These commitments, whilst not nominal, were not obviously so high in themselves to suggest he was overly indebted at this point. I'm also satisfied that whilst he did have a number of commitments, the information which Lending Works had, demonstrated that he was managing these commitments well. There were no negative markers on the file which may indicate Mr L was over indebted or struggling financially.

Mr L says that his income was lower than that declared, and that he had recently moved employers. Whilst that may be true, I'm satisfied that Lending Works were entitled to rely on the information which Mr L provided. I've not seen any information which would demonstrate Lending Works was made aware of a lower figure, or that the information it relied on was unreasonable for it to do so. Indeed the cross-checking that Lending Works carried out suggested that Mr L's declaration of income was broadly accurate. I should point out that this was the first loan Mr L had with Lending Works. And there was no reason for it to challenge

this information (this is aligned to the fact that the rest of the information it gathered appeared consistent with the information Mr L declared and Lending Works recorded).

As I'm satisfied Lending Works completed reasonable and proportionate checks, I've gone on to consider if it made a fair decision to lend. As stated above, after it completed all of its calculations, Lending Works deemed that Mr L would have a sufficient level of disposable income to sustainably repay the loan. Lending Works also says that the purposed of the loan was for debt consolidation and thereby would've further reduced Mr L's outgoings.

Mr L says that evidence on his bank statements shows that he was over indebted and was exceeding his income considerably by gambling. He says he was also having to borrow significant amounts from family and friends.

Whilst again that may well be true; I'm satisfied that Lending Works made a fair decision to lend. Ultimately as I'm satisfied it completed reasonable and proportionate checks, and these demonstrated that the loan was likely affordable to Mr L; I'm satisfied it made a fair decision to lend.

I know this outcome will come as a disappointment to Mr L. However, I'm satisfied that Lending Works was entitled to rely on the information it was provided. And as this information appeared consistent and reasonable, that it was fair for it to conclude the loan was affordable to Mr L.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 9 March 2023.

Tom Whittington
Ombudsman