

The complaint

Mr R complains that Salad Finance Limited trading as Salad Money lent to him irresponsibly.

What happened

Mr R applied for a loan from Salad Money in February 2022. The loan was for £1000 repayable over 17 months by monthly instalments of £84.92. The total sum repayable was £1527.64.

Mr R complained to Salad Money about the decision to provide him with the loan. He said that checks would've shown that he had other debts and that there were gambling transactions on his account.

Salad Money didn't uphold Mr R's complaint. It said it used open banking to assess the affordability of the loan and there was no information to suggest that the loan wasn't affordable for Mr R.

Mr R was unhappy with the response and brought his complaint to this service.

Our investigator didn't uphold the complaint. He said that Salad Money had carried out reasonable and proportionate checks and that there was no information to suggest that the loan wasn't affordable for Mr R.

Mr R didn't agree. He said he thought Salad Money should have noticed the gambling transactions.

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 considering unaffordable and irresponsible lending complaints on our website including the key relevant rules, guidance and good industry practice. I've had this approach in mind when considering Mr R's complaint.

Salad Money needed to take reasonable and proportionate steps to ensure that it didn't lend to Mr R irresponsibly. This means it should've carried out reasonable and proportionate checks to satisfy itself that Mr R could repay the loans in a sustainable way. These checks could take into account a number of things such as the loan amount, the repayments amount and Mr R's income and expenditure.

I've looked at the checks Salad Money carried out. It used open banking to obtain information and carry out an affordability assessment. It gathered information about what Mr R was earning, what his expenditure was and what other debts he had.

The checks showed that Mr R had monthly income of around £1941 and average monthly expenditure of around £474. The checks also showed that Mr R had a car loan which he was repaying at around £288 per month, as well as three credit cards and a mail order account.

Monthly repayments for the credit cards and the mail order account were around £226.

Salad Money didn't check Mr R's credit report. It relied on information regarding debt repayments from open banking.

I've thought about whether the checks carried out by Salad Money were reasonable and proportionate. Given that Mr R was already using around 30% of his income to repay his existing debt, I think Salad Money should have carried out further checks to see how much external debt Mr R had, and how this was being managed.

I've looked at Mr R's credit report to see what Salad Money would've seen if it had carried out a credit check. It shows that one of Mr R's credit cards had a balance of around £340, another had a balance of around £990 and another with a balance of around £3646. The repayments on all of the credit cards were up to date. The credit check also showed that Mr R had two defaulted agreements. These were a loan which defaulted in April 2018 with a balance of £951 and a current account which defaulted in October 2018 with a balance of £430.

Salad Money used open banking to estimate that Mr R was repaying debt at around £580 per month. Based on what I've seen in the credit report, I think this estimate is reasonable. Even though I think Salad Money should've carried out a further check by looking at Mr R's credit report, I'm satisfied that had it done so, it wouldn't have discovered anything which would've given it cause for concern or reason to think that Mr R wouldn't be able to sustainably repay the lending.

Mr R has said that Salad Money should've realised that he was spending significant amounts on gambling. I've looked at the open banking information and I can see that there are some gambling transactions. However, these aren't for large sums, and I don't think these transactions would be a reason for Salad Money not to lend to Mr R.

Taking into account the amount of the loan and the cost of the borrowing, I think the checks carried out by Salad Money were reasonable and proportionate. I think further checks could've been carried out, but I'm satisfied that no further information would've come to light which would've given Salad Money a reason to think that Mr R wouldn't be able to sustainably repay the loan.

I've taken the points Mr R has made about gambling transactions into consideration, but I don't think these transactions were significant enough to give Salad Money a reason not to lend.

For the reasons I've given, I don't think Salad Money lent irresponsibly to Mr R and I won't be asking it to do anything further.

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 Mr R to accept or reject my decision before 30 March 2023.

Emma Davy
Ombudsman