DRN-3988168

The complaint

Mr P complains that SteadyPay Limited was irresponsible to lend to him and he now can't repay the money.

What happened

Mr P applied for a SteadyPay facility on 2 February 2019 and his application was approved with a £1,000 credit limit.

Mr P says SteadyPay had access to information from his bank account and so it should have seen that he had multiple gambling transactions. He says the loans should never have been approved and it's now having an adverse effect on his credit file as he's been unable to repay it. Mr P adds that the repayment plan SteadyPay has now proposed is unaffordable to him.

SteadyPay says it completed affordability and credit checks for each of the loans and that there was nothing to indicate the repayments were unsustainable. It adds that it is obliged to report accurate information to the credit agencies and that the default and County Court Judgement (CCJ) were correctly applied..

Our adjudicator did not recommend that the complaint should be upheld. She said that SteadyPay's checks did not indicate the lending was irresponsible and without access to bank statements from the time of the lending she was unable to say the lending was unaffordable.

Mr P responded to say, in summary, that SteadyPay had access to his bank account through Open Banking and would have seen he had a gambling problem at the time. However, he added that he was unable to provide bank statements for the account SteadyPay had on record.

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.

I need to take into account the relevant rules, guidance and good industry practice.

The Financial Conduct Authority (FCA) was the regulator when SteadyPay lent to Mr P. Its rules and guidance obliged it to lend responsibly. As set out in the regulator's Consumer Credit Sourcebook (CONC), this meant that SteadyPay needed to take reasonable and proportionate steps to assess whether or not a borrower could afford to meet their loan repayments in a sustainable manner over the lifetime of the agreement.

CONC 5.2A.4R states that:

A firm must undertake a reasonable assessment of the creditworthiness of a customer before:

1. *entering into a regulated credit agreement; or*
2. *significantly increasing the amount of credit provided under a regulated credit agreement; or*
3. *significantly increasing a credit limit for running-account credit under a regulated credit agreement.*

Repaying debt in a sustainable manner was defined as being able to meet repayments out of normal income without the customer having to borrow to meet the repayments, without failing to make any other payment the customer has a contractual or statutory obligation to make and without the repayments having a significant adverse impact on the customer's financial situation (CONC 5.2A.12R).

In general, I'd expect a lender to require more assurance the greater the potential risk to the borrower of not being able to repay the credit in a sustainable way. So, for example, I'd expect a lender to seek more assurance, potentially by carrying out more detailed checks

- the *lower* a person's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *longer* the term of the loan (reflecting the fact that the total cost of the credit is likely to be greater and the borrower is required to make payments for an extended period).

In addition, as per CONC 5.2A.16G (3): *For the purpose of considering the customer's income, it is not generally sufficient to rely solely on a statement of current income made by the customer without independent evidence (for example, in the form of information supplied by a credit reference agency or documentation of a third party supplied by the third party or by the customer).*

And CONC 5.2A.17R (2) says: *The firm must take reasonable steps to determine the amount, or make a reasonable estimate, of the customer's current non-discretionary expenditure.*

Bearing all of this in mind, in coming to a decision on Mr P's case, I have considered the following questions:

- Did SteadyPay complete reasonable and proportionate checks when assessing Mr P's application to satisfy itself that he would be able to repay the credit in a sustainable way?

    - If not, what would reasonable and proportionate checks have shown?
- Did SteadyPay make a fair lending decision?
- Did SteadyPay act unfairly or unreasonably in some other way?

With regard to the first question, SteadyPay checked Mr P's credit file and had access to his bank account via Open Banking. The checks showed:

- Mr P's income exceeded his expenditure by over £1,000 in the three months leading up to the lending;
- There was no adverse information on his credit file;
- Mr P's bank statements showed no short-term loans and no direct debits that had been returned unpaid;
- A number of gambling transactions.

Given the amount of detail available to SteadyPay through its access to Open Banking, and as the credit file showed no adverse information, I consider these checks went far enough.

I now need to consider whether the lending was fair in the context of the information available to SteadyPay at the time. As it no longer has access to the detail within Mr P's bank account, we've asked Mr P to provide a copy of his statements from the time. Unfortunately, he has been unable to provide them, so I've considered the lending based on the information I do have available to me:

- SteadyPay lent Mr P a total of £740.06;
    - The first loan of £372.58 was on 4 February 2019;
    - The remainder was in two instalments on 4 March 2019 – SteadyPay has explained that the first loan amount that day was too little as its systems had not been updated for the new employer;
- The loans were repayable at £250 per month;
- SteadyPay says it did not lend Mr P the full £1,000 limit due to the gambling transactions it saw on Mr P's statement.

Given the affordability and credit checks carried out by SteadyPay, I can't conclude the repayments were unsustainable for Mr P. I acknowledge that SteadyPay was aware of some gambling transactions, but without the details I'm unable to say that those should have precluded any lending and I accept the lending was reduced as a result. Based on all the information I have seen, I find SteadyPay made a fair lending decision.

Finally, I've considered whether SteadyPay acted unfairly or unreasonably in any other way.

When Mr P failed to make his contractual payments in May and June 2019 SteadyPay agreed a monthly repayment of £50 in July 2019. As no payments were received, it then sent several letters, including a default notice in August 2019. When these had no effect, it followed up with a reminder and a warning about a CCJ in May 2020. Although a repayment plan was agreed in June 2020, no repayments were made and Mr P again failed to respond to correspondence. A money claim was issued in July 2020, followed by a CCJ.

Following Mr P's complaint, SteadyPay offered a 50% reduction on the balance at the beginning of September. Although Mr P did not agree to this, on 22 September 2022, he did agree to a repayment plan, but again, no payments were received.

To date, the only payments Mr P has made on the account are six weekly subscriptions at £4 per week, so I don't find SteadyPay acted unreasonably whilst pursuing Mr P for the debt.

SteadyPay has now said "*A previous offer was made for a 50% discount on the total owed balance of £877.06, but it has since expired. To assist the user in closing their account, we would like to extend the offer until the end of May as a gesture of goodwill. If the user…pays off the balance by May 31st [2023], we will be pleased to close the account and satisfy the CCJ."*

Mr P has said he does not accept this offer, but I consider it to be fair and reasonable.

In summary, I find SteadyPay made a fair lending decision and did not act unfairly or unreasonably in any other way. I will leave it to Mr P to contact SteadyPay by the end of May 2023 if he would now like to accept its offer.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 1 June 2023.

Amanda Williams
Ombudsman