DRN-4051099

The complaint

Mr D complins that FUND OURSELVES LIMITED trading as Fund Ourselves provided him with a loan he couldn't afford to repay.

What happened

Fund Ourselves advanced Mr D a loan on 9 August 2020. The loan amount was £200, with an arrangement fee of £100, to be repaid in four instalments of £88 each, firstly on 12 August 2020, then over the next three months. Mr D paid one instalment but no further instalments and the loan was defaulted and sold to a debt collection agency (DCA) in February 2021.

Mr D complained that at the time of taking out the loan he wasn't financially able to afford the repayments. He was unemployed and his credit score was poor. He wasn't notified that the debt had been passed to a DCA, and wanted Fund Ourselves to take back the loan and sort out a deal with him.

Fund Ourselves said that it carried out a credit check and assessed Mr D's ability to pay the loan from the information set out in his application form. On the form he said he was employed, living with parents with a net monthly income of £1,300 and monthly commitments of £265. So it believed he could afford the loan repayments. It didn't tell Mr D it was selling the debt to a DCA, but points out that the terms of the loan agreement allow for this, and direct contact is made by the DCA to arrange payment.

On referral to the Financial Ombudsman, our Adjudicator said that from all the information she considered, she didn't think that Fund Ourselves had done anything wrong.

Mr D disagreed, he said that he expected Fund Ourselves to look at his bank statements. If it had, it would have seen he had gambling problems.

The mattered has been passed to me for further consideration.

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 general approach to complaints about unaffordable/irresponsible lending - including all the relevant rules, guidance, and good industry practice - on our website.

Considering the relevant rules, guidance, and good industry practice, I think the questions I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are:

- Did Fund Ourselves complete reasonable and proportionate checks to satisfy itself that Mr D would be able to repay the loan in a sustainable way?

- If not, would those checks have shown that Mr D would have been able to do so?

The rules and regulations in place required Fund Ourselves to carry out a reasonable and proportionate assessment of Mr D's ability to make the repayments under the agreement. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower-focused" – so Fund Ourselves had to think about whether repaying the loan would be sustainable. In practice this meant that Fund Ourselves had to ensure that making the repayments on the loan wouldn't cause Mr D undue difficulty or significant adverse consequences. That means he should have been able to meet repayments out of normal income without having to borrow to meet the repayments, without failing to make any other payment he had a contractual or statutory obligation to make and without the repayments having a significant adverse impact on his financial situation.

In other words, it wasn't enough for Fund Ourselves to simply think about the likelihood of it getting its money back - it had to consider the impact of the loan repayments on Mr D. Checks also had to be "proportionate" to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications. I think that such a check ought generally to have been *more* thorough:

- The *lower* a consumer'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 key words here are "reasonable and proportionate". Fund Ourselves carried out a basic credit check, although I should point out that the rules don't require it to do so. That check satisfied Fund Ourselves that Mr D wasn't in difficulties over past credit or loans. The actual data is difficult to interpret though it confirms Mr D's address and date of birth, and appears to show no recent missed payments. I've seen no evidence to show anything different.

A customer applying for a loan has a responsibility to provide accurate information about their income and employment situation. As the amount of the loan was modest, and the first loan Mr D had taken out with Fund Ourselves, and due to be repaid within three months, I think that it was reasonable of Fund Ourselves to rely on the information provided to it to assess his ability to afford the loan. There didn't appear to be any other indicators that he might not have been able to afford it.

I wouldn't expect Fund Ourselves to obtain any other information such as bank statements, it wouldn't be proportionate to expect it to do so. So if Mr D did have gambling problems it wouldn't have seen this unless he told it. I have seen no evidence that Mr D told Fund Ourselves about his spending activities. So I think that Fund Ourselves made a reasonable lending decision.

Mr D says he wasn't told the loan had been sold to a DCA, and wants it to be taken back by Fund Ourselves. He also says that he contacted Fund Ourselves multiple times about not being able to pay off the loan but had no response.

Under the terms of the loan agreement Mr D signed there was a warning that if he missed payments Fund Ourselves reserved the right to charge default interest, report the debt to a Credit Reference Agency and to sell any outstanding balance to a DCA. The loan was sold on in February 2021, and the DCA should have been in contact with Mr D about repaying the loan. I can't require Fund Ourselves to buy back the loan as I'm not upholding the complaint.

As for Mr D contacting Fund Ourselves about missing the payments, I note that it says the first contact it received from him about the outstanding loan was in August 2022, when he made his complaint. Any contact about the outstanding loan should have been made with the DCA after February 2021. Also I've seen no other evidence of Mr D's contact with Fund Ourselves.

Taking all those matters into consideration, I don't uphold Mr D's complaint.

My final decision

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 19 July 2023.

Ray Lawley
Ombudsman