

The complaint

Mrs C complains SteadyPay Limited lent to her irresponsibly.

What happened

Mrs C applied to join SteadyPay in August 2020. SteadyPay gave her a credit limit of £1,000 for her top-up facility. Each month it worked out Mrs C's average pay for the last three months and if she was paid below that, she would be offered a top-up. If Mrs C accepted this top-up, it would be paid into her bank account. Mrs C would then need to pay this back in instalments.

Mrs C was also able to request a top-up of up to £50 whenever she wanted (so long as it wouldn't take her over the £1,000 limit) – SteadyPay calls these 'early top-ups'. This type of top-up had to be repaid before it was requested again.

For this credit facility, Mrs C was charged a subscription of £4 a week but no interest was charged.

SteadyPay advanced Mrs C the following top-ups:

Date	Amount
11 September 2020	£50
2 October 2020	£160
28 November 2020	£250
6 January 2021	£50
27 January 2021	£50
27 February 2021	£200
30 March 2021	£130

Mrs C says SteadyPay lent to her irresponsibly. She says she couldn't afford to repay the top-ups and SteadyPay shouldn't have offered them to her.

SteadyPay says when Mrs C joined, it performed a credit check and affordability assessment. It says no flags were raised – her lending was within acceptable limits given her income, which it had visibility over, she had no debt collectors or active CCJs/IVAs registered against her, and an above average credit score. It says Mrs C had the option to decline any and all top-ups. So it didn't uphold her complaint.

I issued a provisional decision explaining why I didn't think this complaint should be upheld. I said:

"We've set out our approach to complaints about unaffordable and irresponsible lending on our website. And I've taken this into account in deciding Mrs C's complaint.

SteadyPay needed to take reasonable steps to ensure that it didn't lend to Mrs C irresponsibly. It should have completed reasonable and proportionate checks to satisfy itself that Mrs C would be able to repay the credit in a sustainable way.

There isn't a set list of checks that lenders need to carry out before offering someone credit. But I'd think a reasonable and proportionate check ought generally to have been more thorough:

- the lower an applicant's income because it could be more difficult to make the repayments as a result;*
- the higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income;*
- the longer the term it needed to be repaid over, because the total cost of the credit was likely to have been greater given the longer time over which repayments have to be made.*

So what all of this means is that a less detailed affordability assessment, without the need for verification, is far more likely to be fair, reasonable and proportionate where the amount to be repaid is relatively small, the consumer's financial situation is stable and they will be indebted for a relatively short period.

SteadyPay did complete some checks before it agreed Mrs C could join and it offered her credit. It connected to her bank account so was able to see exactly how much she had been paid in the months leading up to her application – an average of just over £1,500 a month in the three months before. And it did a credit check, which, from what I've seen, didn't highlight any signs she was in financial or repayment difficulties.

Given the factors I've set out above, I think these checks were reasonable and proportionate – the maximum Mrs C would be borrowing at any one time was £1,000, which is a relatively low amount. And her income was such that it wouldn't suggest she'd have difficulties repaying any top-ups, which were unlikely to be as much as £1,000 at any one time.

Our investigator thought Mrs C's complaint should be upheld because, from information we had about Mrs C's credit history, she thought there were signs she wouldn't be able to afford to repay the credit. She'd had some previous accounts defaulted, which the investigator thought suggested Mrs C might have difficulties repaying any credit from SteadyPay.

But this wasn't information SteadyPay obtained when it did its credit check. And as I think the checks it did do were reasonable and proportionate, there wasn't any reason why it ought to have discovered these previous issues.

With any sort of revolving credit, such as this, I would expect the lender to monitor the customer's repayment record and any other relevant information it holds and take appropriate action where there are signs of actual or possible financial difficulties. And it appears SteadyPay did this. It did further checks before agreeing to any top-ups and, despite Mrs C previously paying the instalments when they were due, the last top-up it offered Mrs C in March 2021 was lower than the actual difference between her pay and average salary because of other information it held. So I'm satisfied it met its obligations in this regard.

I do want to address SteadyPay's point about Mrs C having the option to decline the top-ups she was offered if she couldn't afford to repay them. Just because Mrs C accepted the top-ups that were offered, doesn't absolve SteadyPay of its obligations to lend responsibly. After all, someone who is in financial difficulties is unlikely to turn down extra money if it's offered to them. They are unlikely to be weighing up whether they can afford to repay it or not, they're more likely to see it as a solution to their immediate problems.

I appreciate Mrs C hasn't been able to repay all the credit she was given by SteadyPay but this alone wouldn't be enough for me to say SteadyPay did anything wrong. I understand SteadyPay has now obtained a County Court Judgement for the outstanding balance. I would encourage Mrs C to engage with the Court and SteadyPay about this."

Neither Mrs C nor SteadyPay responded by the deadline I set in my provisional 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.

As neither SteadyPay nor Mrs C have provided any new evidence or arguments in response to my provisional decision, I see no reason to depart from my provisional findings.

It follows that for the reasons set out here and in my provisional decision, I don't uphold this complaint. I'm satisfied the checks SteadyPay did before offering Mrs C credit were reasonable and proportionate. I also think it met its obligations to monitor her repayment record and any other relevant information it held and take appropriate action where there are signs of actual or possible financial difficulties.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 3 May 2023.

Claire Allison
Ombudsman