

The complaint

Mr J complains that Chetwood Financial Limited (trading as BetterBorrow) was irresponsible to lend to him.

What happened

Mr J had two loans from BetterBorrow in January 2022 and May 2022 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Monthly Repayment</u>	<u>Due</u>	<u>Repaid</u>
1	26 Jan 2022	£9,500	24m	£481.44	20 Jan 2024	22 Feb 2022
2	26 May 2022	£5,000	24m	£274.60	20 May 2024	1 Sep 2022

Mr J says BetterBorrow agreed to lend to him, even though other companies turned him down at the time. He says his expenditure exceeded his income and he had other loans and credit cards to repay. Mr J says he had to borrow again to repay the loans.

BetterBorrow says Mr J declared his income and expenditure and it carried out checks with the credit reference agencies. It says it was confident that the lending was affordable.

Our investigator recommended the complaint should be upheld in part. She wasn't satisfied that BetterBorrow had carried out proportionate checks for either loan, but considered it had enough information to show loan 1 was likely to be unsustainable. However, she found that had BetterBorrow conducted proportionate checks for loan 2, it was likely it would still have approved that loan. Our investigator recommended that any repayments over the loan 1 amount should be refunded with 8% interest and any negative information about loan 1 should be removed from Mr J's credit file.

Mr J responded initially to say that he did not agree with the investigator's calculations for his expenditure for loan 2, but subsequently accepted her recommendations.

BetterBorrow responded to say, in summary, that its calculations showed Mr J had sufficient disposable income to afford the repayments on loan 1.

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.

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

- Did BetterBorrow complete reasonable and proportionate checks when assessing Mr J's loan applications to satisfy itself that he would be able to repay the loans in a sustainable way?
 - If not, what would reasonable and proportionate checks have shown?
- Did BetterBorrow make a fair lending decision?
- Did BetterBorrow act unfairly or unreasonably in some other way?

Loan 1

When Mr J applied for the loan, I've seen evidence to show BetterBorrow asked him about his income and housing costs and also checked his credit file. I can see that BetterBorrow also verified the declared income. However, based on the information it received, I'm not satisfied the checks went far enough. I say that because:

- The loan was for two years and BetterBorrow needed to be confident that the repayments were sustainable over that period;
- Mr J was already committed to spending around 27% of his income on credit repayments;
- His two existing loans were both taken out within the last six months and a credit card was taken out within the last three months;
- BetterBorrow used an estimate for Mr J's regular expenditure based on statistical averages;

I consider that, given the term of the loan and the relatively high level of new, existing credit, compared with Mr J's income, BetterBorrow needed to have a full understanding of his financial circumstances.

As such I've looked at Mr J's bank statements from the time as a reasonable proxy for what BetterBorrow may have seen had it carried out proportionate checks. They show:

- Mr J's income was roughly in line with the £2,825 he'd declared;
- Mr J contributed around £900 per month to cover his share of the rent, energy bills, council tax, TV licence and gym membership;
- As well as the credit commitments, Mr J was also paying for broadband, a mobile phone, water and life insurance totalling over £170 in the month before the lending;
- There was also a regular payment to his partner each month to cover his share of childcare. That was £750 in December 2021.

Including the £750 of existing credit commitments, Mr J was left with around £250 of disposable income each month and so I'm satisfied he could not afford a further loan repayment of £481.

Therefore, I find BetterBorrow would have made a different lending decision had it carried out proportionate checks and I uphold Mr J's complaint about loan 1.

Loan 2

As both Mr J and BetterBorrow agreed with the investigator's findings on loan 2 I won't consider it further here.

In summary, based on all the evidence, I find BetterBorrow did not make a fair lending decision for loan 1, although I can't see it acted unfairly in any other way.

My final decision

My decision is that I uphold this complaint in part. Chetwood Financial Limited (trading as BetterBorrow) should:

- Add up the total amount of money Mr J received as a result of having been given loan 1. The repayments Mr J made should be deducted from this amount and the overpayments should then be refunded along with 8% simple interest (calculated from the date the overpayments were made until the settlement date); *
- Remove any negative information recorded on Mr J's credit file regarding loan 1.

* HM Revenue & Customs requires BetterBorrow to take off tax from this interest. BetterBorrow must give Mr J a certificate showing how much tax it's taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 7 July 2023.

Amanda Williams
Ombudsman