

The complaint

Mr M complains that FUND OURSELVES LIMITED (“FOL”) lent to him irresponsibly.

What happened

Using information from FOL’s records here is a brief loan table:

Loan	Borrowed Date	Closed Date	Borrowed Amount	Term Months	Repayment Amount
1	30 September 2021	18 October 2021	£400	4	£185.60
2	26 December 2021	February 2023	£350	4	£154

Mr M has sent us a screenshot of a payment record for the loans and loan 2 was repaid after being on a repayment plan. The date the loan was fully repaid is unclear but it seems likely to have been February 2023.

After Mr M had complained to FOL in December 2022 (before loan 2 had been repaid) he received its final response letter. In that letter FOL said that it had carried out the right checks and so did not uphold his complaint.

Mr M was dissatisfied and referred his complaint to the Financial Ombudsman Service in March 2023. One of our adjudicators looked at it and thought that FOL had not done anything wrong. Mr M responded to stress the issue he had about his extensive gambling and that FOL ought to have known of this if it had carried out full and proper checks before lending. He sent to us copies of his bank account statements around the times FOL lent to him. Mr M has said to us:

‘Fund Ourselves should have done more checks, realised that my debt was increasing due to the volume of gambling and done more checks to realise this.

I also wanted to add reason this loan was unaffordable was because of my gambling more so than anything else. The question therefore ask I as follows, what checks did Fund Ourselves Limited make to check if I had a gambling problem? If they were to check my bank records they would see this, they did not.’

The unresolved complaint was passed to me to decide.

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 this type of lending - including all the relevant rules, guidance, and good industry practice - on our website.

FOL had to assess the lending to check if Mr M could afford to pay back the amounts he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. FOL's checks could've considered several different things, such as how much was being lent, the size of the repayments, and Mr M's income and expenditure.

I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest FOL should have done more to establish that any lending was sustainable for Mr M. These factors include:

- Mr M having a low 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 amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Mr M having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr M coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Mr M. But a pattern would not have developed here as Mr M took two loans only.

FOL was required to establish whether Mr M could *sustainably* repay the loans – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr M was able to repay his loan sustainably. But it doesn't automatically follow that this is the case.

Industry regulations say that payments are sustainable if they are made without undue difficulties and, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr M's complaint. I've decided not to uphold his complaint and I explain here.

FOL carried out proportionate checks as it verified Mr M's income using a credit reference agency check which I consider a fair and reasonable approach to have taken. His income was given to FOL by Mr M as being £2,100 for each loan.

FOL checked Mr M's credit file which did not show any elements to prompt it to be unduly concerned. And by that I mean signs of arrears or insolvencies or other such entries. There was nothing there to indicate that Mr M was in financial difficulties or had been falling behind in his payments.

The adverse entries (defaults) related to accounts which were well before he applied for these two loans – they were in 2018 and one was in May 2019. These defaulted accounts had been satisfied in the Spring of 2020.

I have thought about these default entries carefully and it does indicate that Mr M had a difficult time around January 2018 to March 2018 (one more default was registered after them in May 2019) but each had been satisfied. And a lender such as FOL would have been used to lending to customers with some adverse credit history.

The income and expenditure assessment FOL carried out indicated that Mr M had enough disposable income to repay the monthly instalments for each loan and considering that the loans were of relatively low value and had short loan terms I would not have expected FOL to do more.

Mr M has sent to us his bank account statements. Although he has not explained all the spending patterns to us he has said that there were large numbers of transactions which related to betting and gambling. Mr M has said he thinks FOL ought to have checked this and/or found out about this by reviewing his bank account statements. But, it would have been disproportionate for FOL to have reviewed his statements for these two loans and so unless Mr M informed FOL of these spending habits then it would not have known, and I would not have expected it to have known, of them. I have seen no evidence that Mr M told FOL of his gambling.

In all the circumstances I have decided that I do not uphold Mr M's complaint.

In January 2023 – before loan 2 had been repaid but after he had referred his complaint to us - Mr M emailed us to say:

'I forgot to mention that they haven't included the figures with my outstanding loan that I currently have in place with them at the moment. Might be worth looking into that too.'

I interpret that to mean as to whether he had repaid too much. This was not part of Mr M's complaint but as the case is on my desk then it seems sensible to answer Mr M's question about this using what information I have.

FOL's final response letter said that the first instalment for loan 2 was repaid as planned and then a nine month repayment plan at £54 a month was set up with '*...the first instalment due on 27 May 2022 and a final instalment of £60 due on 27 February 2023.*' And FOL explained:

'As we deviated from the original plan interest was recalculated due to repaying over a longer period than agreed. Since the start of your loan agreement, we can confirm we have received £532 in payments and you have an outstanding balance of £168.'

That comes to £700 which is double the original loan 2 value of £350 and therefore I am satisfied this comes within the cost-cap regulations the Financial Conduct Authority imposed on certain lenders such as FOL.

The screenshot Mr M has sent to us indicated that he made 10 repayments and this loan had been '*completed*' and so it seems that it was repaid. I do not consider that he has paid too much and so I hope that this additional information has assisted Mr M.

My final decision

My final decision is that I do not uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 31 August 2023.

Rachael Williams
Ombudsman