

The complaint

Mr C has complained that Chetwood Financial Limited trading as Better Borrow, acted irresponsibly when it provided him with a loan in 2022.

Background

Mr C applied for and was given a £6,000 loan repayable over 24 months by Better Borrow in November 2022. At the time he has said that he already had a lot of existing debt, and he was becoming increasingly reliant on credit. He says the loan wasn't genuinely affordable to him and if Better Borrow had run adequate checks it wouldn't have given him the credit.

Better Borrow has said that it checked Mr C's income and expenditure as well as credit file. It assessed that although Mr C did have existing commitments already he had sufficient disposable income left at the end of each month to cover the repayments. So, it's satisfied that the loan was affordable and doesn't think it was wrong to provide it.

Unhappy with Better Borrow's response Mr C brought his complaint to our service. One of our investigators looked into his complaint already. She found that while the loan may have appeared affordable on paper, Mr C's existing debt to income ratio was already close to 50%. Therefore, she felt that it was unlikely the loan repayments would be sustainable over the term of the loan. So, she upheld the complaint as she didn't think Better Borrow should've provided the loan to him.

Mr C accepted the investigator's findings but Better Borrow didn't. It repeated that although Mr C had a number of existing credit obligations each month his remaining disposable income would've covered the monthly repayments and so it didn't think it was wrong to give him the loan. It asked for an ombudsman to review the complaint and so it's been passed to me for consideration.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so I agree with the outcome reached by our investigator and for much the same reasons.

Mr C has told us that at the time he took out the loan with Better Borrow he was becoming increasingly dependent on credit and he was already struggling to meet his existing monthly repayments. He believes if Better Borrow had done more detailed checks, including looking at his bank statements, it would've realised he couldn't afford the credit he was applying for.

Better Borrow has pointed out that Mr C's declared monthly take home pay was in excess of £5,500. While it accepts that he had a large amount of existing debt it still thinks there was sufficient money left once all of these had been paid, to cover the monthly loan repayments attached to the loan.

It has said it didn't find any evidence of high-cost credit lending on Mr C's credit file and that the declared purpose of the loan was home improvements. It has noted that at the time of application there was no adverse information on Mr C's credit file.

It's important to clarify that when considering applications for credit lenders need to check whether the credit looks to be affordable and also sustainable. This means that it's not just about considering whether or not the lending looks affordable on paper but whether the repayments are likely to be sustainable throughout the life span of the loan.

While the second part of the test is arguably more subjective than the first part, I agree with our investigator's findings that Mr C's existing income to debt ratio should've resulted in Better Borrow running more thorough checks to ensure the loan was genuinely sustainable. At the time he applied for the loan Mr C already had an income to debt ratio of nearly 46%. While I accept that Mr C didn't have any adverse information on his credit file at that time I think his existing indebtedness was an indicator of someone who was already overly reliant on credit. I note that only two months after taking the loan Mr C had contacted Better Borrow to explain he couldn't afford the repayments and was in financial difficulty.

So having reviewed the case in full I don't think the lending was sustainable and I don't think Better Borrow should've provided the loan to Mr C.

Putting things right

In order to put things right Chetwood Financial Limited trading as Better Borrow should:

- To add up the total amount of money Mr C received as a result of having been given the lending. The repayments Mr C made should be deducted from this amount.

a) If this results in Mr C having paid more than he received, then any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). †

b) If any capital balance remains outstanding, then Better Borrow should attempt to arrange an affordable/suitable payment plan with Mr C.

- Once any outstanding balance has been repaid B should remove any negative information recorded on Mr C's credit file regarding this loan.

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

My final decision

For the reasons set out above I uphold Mr C's complaint against Chetwood Financial Limited trading as Better Borrow.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 12 October 2023.

Karen Hanlon
Ombudsman