

The complaint

Mr E complains that East End Fair Finance Limited, trading as Fair Finance, lent to him irresponsibly when it provided him with two loans which he says he couldn't afford.

What happened

Mr E took out a loan agreement with Fair Finance for £130 in February 2021. He paid the loan of over six months and the repayments were £28.78 each month.

In July of the same year, Mr E took out a further loan for £400. This was repayable over 12 months and Mr E paid £52.73 a month.

Mr E says that Fair Finance shouldn't have lent to him because he was struggling with other debt, and he had a gambling problem. He thinks Fair Finance was negligent in allowing him to take the loans and asks that Fair Finance pay back all interest and charges on the loan. Our investigator didn't think Mr E's complaint should be upheld. Mr E disagreed.

Our investigator reviewed the further points Mr E made but concluded it didn't make a difference to their view. As Mr E didn't agree with the investigator's view his complaint has been passed to me to make a 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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when I have considered Mr E's complaint.

Having done so, I have come to the same conclusion as that of our investigator. I will explain why I have reached this decision.

Fair Finance needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr E could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and Mr E's income and expenditure. There is no set list of checks a business has to do.

The first loan.

In Mr E's case, Fair Finance has provided evidence of the checks it completed, and the information Mr E gave during his application. Mr E declared a net monthly salary of around £820 a month plus a further £400 in working benefits. He was living with a partner and

paying around £250 a month in rent. He stated that his other essential outgoings came to around £300 a month. Fair Finance carried out a credit check which showed Mr E had existing total debt of around £3,000. He had another loan, two credit cards, two mail order accounts and five current accounts. It appeared those were being managed well, although Mr E had recently defaulted on a mobile phone contract. Mr E told Fair Finance that he was in dispute with the mobile phone company as the phone was faulty.

Prior to applying for this loan, Mr E had been declined another loan with Fair Finance about eight months earlier because Mr E's bank statements showed evidence that he was gambling to a level that gave concern.

Our investigator said that, in relation to this loan, Fair Finance should have done further checks because of the relatively recent information about Mr E's gambling.

Our investigator concluded that even if Fair Finance had found out more about Mr E's financial situation it likely still would have made the same decision to lend to Mr E. Our investigator noted that there were no prescriptive checks that Fair Finance ought to have done, but that on the basis of Mr E's payslips and credit file which he kindly provided, there was no information to suggest Mr E wouldn't have been able to sustainably repay the lending.

In fact, following our investigator's view, Fair Finance confirmed with evidence that it did check Mr E's bank statements at the time. Those bank statements showed that Fair Finance actively considered Mr E's gambling in February 2021, noting that his average monthly gambling in the three months leading up to the loan represented less than 1% of Mr E's net income. It also noted his payments to other credit providers which came to about £130 and the two missed payments to the mobile phone provider. It sought and accepted his explanation for the missed payments to the mobile phone provider.

While this is new information which Mr E hasn't commented on, it doesn't change the outcome of Mr E's complaint. I am satisfied that Fair Finance did complete necessary and proportionate checks on Mr E's financial circumstances before it lent to him and that it acted fairly on those checks. I don't think Fair Finance saw anything to think that Mr E wouldn't be able to afford repayments of around £30 a month for six months.

Mr E has indicated that he was gambling heavily at that time. He hasn't been able to provide evidence of his actual outlay at the time, though, and the bank statements he provided to support his application to Fair Finance didn't show a high level of gambling.

The second loan.

Mr E took a second loan shortly before the end of the first loan. This was for a holiday. Fair Finance carried out a new credit check, including looking at Mr E's bank statements.

It found that Mr E's total debts elsewhere had increased to around £3,500 and that he was utilising about 43% of his available credit. Mr E's default was still apparent, but Mr E had already explained that to Fair Finance. His other accounts were being managed well.

Fair Finance also checked Mr E's bank statements. There was no evidence of problematic gambling. His income matched that he had declared to Fair Finance. It also had the reassurance that Mr E had managed his existing loan well and that it was about to be paid off completely.

On the basis of this information, I think Fair Finance completed necessary and proportionate checks and acted fairly on the outcome of those checks.

My final decision

In conclusion, I do not think Fair Finance acted unfairly or unreasonably when it lent to Mr E and so I do not think Mr E lost out as a result of anything Fair Finance did wrong. It follows that I do not think Fair Finance needs to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 30 November 2023.

Sally Allbeury
Ombudsman