

The complaint

Mr G complains Chetwood Financial Limited trading as BetterBorrow irresponsibly provided him with an unaffordable loan.

What happened

BetterBorrow provided Mr G with a loan of £10,000 in June 2022. The loan had 84 monthly repayments of around £192 and a total repayable value of around £16,140.

Mr G complained to BetterBorrow in March 2023. He said had BetterBorrow completed reasonable and proportionate checks it would have identified this loan wasn't sustainably affordable for him. BetterBorrow didn't uphold Mr G's complaint, so he referred it to our service for review.

Our investigator reviewed the complaint and upheld it. She said BetterBorrow hadn't completed proportionate checks when assessing this lending request; so, she reviewed the information she considered it would have taken into account and which would have been available to it at the time. On review of this information, our investigator concluded BetterBorrow ought reasonably to have identified this loan wasn't sustainably affordable for Mr G; and therefore, it hadn't made a fair lending decision when providing the loan.

Mr G agreed with our investigator's assessment; BetterBorrow didn't accept the findings. It maintained its arguments that it considered its checks to be reasonable and proportionate and that it went on to make a fair lending decision based on the information it obtained.

I recently issued a provisional decision where I set out, with reasons, my initial thoughts on this case and what I was intending to decide.

The following is an extract from my provisional decision:

"We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website; and our investigator referenced these within her assessment so both Mr G and BetterBorrow are aware of our approach.

BetterBorrow needed to take reasonable steps to ensure it responsibly arranged this lending for Mr G. The relevant rules, regulations and guidance at the time BetterBorrow arranged the lending required it to carry out reasonable and proportionate checks. These checks needed to assess Mr G's ability to afford the loan and repay it sustainably over its term, without causing him financial difficulties or harm.

There isn't a set list of checks BetterBorrow needed to carry out, but the checks needed to be proportionate, taking into account things like the type, amount, duration and total cost of the credit, as well as Mr G's individual circumstances.

And it isn't sufficient for BetterBorrow to just complete proportionate checks – it must also consider the information it obtained from these checks when going on to arrange the lending.

BetterBorrow says it obtained Mr G's declarations and used data from credit reference agencies to verify his income. It says it used Office of National Statistics (ONS) data to calculate Mr G's non-discretionary monthly expenditure; and completed a credit check to cross reference this information and to identify Mr G's existing credit commitments and credit history. BetterBorrow says these checks were proportionate and that it made a fair lending decision when providing Mr G with this loan.

Having carefully considered BetterBorrower's argument, I'm currently persuaded its checks were reasonable and proportionate in this instance; and that it went on to make a fair lending decision when providing Mr G with this loan.

I say this because Mr G declared his income as around £2,100 per month after deductions. BetterBorrow used credit reference agency data to reasonably verify this income to be accurate across the previous six-month period.

Mr G declared that he was living at home with parents and paid around £270 per month towards costs. BetterBorrow used ONS data, an industry recognised way of calculating non-discretionary expenditure, to allocate around £650 towards Mr G's monthly essential living costs.

BetterBorrow also identified from its credit check that Mr G had existing monthly credit commitments of around £310. This was all in relation to a fixed term loan with an outstanding balance of around £13,500. While the check identified Mr G also held a number of running credit accounts these were all reporting with zero balances at the time of the check.

BetterBorrow therefore calculated that Mr G's monthly expenditure totalled around £920; leaving him with a disposable income of around £870 to cover the repayments towards this loan of around £192 and other living costs.

The checks BetterBorrow completed allowed it to obtain a level of satisfaction that the declarations Mr G had provided were accurate. There was no contradictory information from the checks it completed and as such there was nothing within the credit check information it obtained that I consider ought reasonably to have caused it any concerns. The report didn't identify any adverse information such as bankruptcy, CCJs, defaults or arrears. And it suggested Mr G was managing his existing lines of credit well, with a relatively low debt to income ratio of around 40%, and a monthly credit commitment to income ratio of around 25%. So, I don't consider BetterBorrow's checks needed to go as far as Mr G or our investigator suggests, by obtaining his bank statements.

I say this because I consider BetterBorrow was entitled to rely on the information it had obtained and assessed as part of its affordability checks, based on my findings above. I accept Mr G has told us and provided evidence that he'd taken out two other loans for similar values around four weeks before this one, and he questions why BetterBorrow wouldn't obtain an updated credit file.

While I appreciate Mr G's position on this point, BetterBorrow can't be held accountable for the time it takes other lenders and credit reference agencies to update their records. BetterBorrow, like all businesses, is reasonably entitled to rely on the information it obtains through its checks, as long as the information isn't contradicted. And on this occasion, as I've found above, I don't believe there was anything within the information BetterBorrow obtained that was contradictory or ought reasonably to have caused it concern.

The fact that the two loans Mr G obtained in May 2022 weren't reporting on the credit file check BetterBorrow completed in June 2022 could quite reasonably have made a difference

to BetterBorrow's lending decision. But as they weren't I can't agree it would have been proportionate, in the individual circumstances, for BetterBorrow to have conducted more detailed checks, by requesting bank statements for instance, to verify his income and expenditure. And it therefore follows BetterBorrow wouldn't reasonably have been aware of the types of payments through Mr G's account and what he was using these loans for.

So as I've found above, I currently consider BetterBorrow completed reasonable and proportionate checks and made a fair lending decision when providing Mr G with this loan."

BetterBorrow responded accepting my provisional decision and providing no further comments for consideration. Mr G didn't agree and provided further points for my consideration which I've summarised as:

- He was addicted to gambling at the time of the loan advance and the entirety of the funds were used to gamble within days of them being received;
- He's missed the last two payments towards the loan;
- The terms of the loan being provided together with the information BetterBorrow obtained about his circumstances ought to have led to it completing further checks – and had it reviewed his bank statements it would have identified gambling; and
- He quoted from our investigator's assessment pointing to their outcome and rationale to support his arguments on why he considers BetterBorrow's checks needed to go further than they did and why his complaint should be upheld.

Mr G also provided a copy of his credit report dated June 2023 which we already had on file, and asked why a review of his bank statements hadn't been referred to within 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.

Having done so, I've not seen anything which leads me to depart from the conclusions I reached within my recent provisional decision. I appreciate this will be disappointing to Mr G given his strength of feeling on the matter, but I'd like to ensure him I've very carefully considered the further points he's raised in response to my provisional decision.

The majority of Mr G's points focus on what he considers BetterBorrow would have identified had it completed more detailed checks, which he considers it should have, and specifically reviewed his bank statements. I did review Mr G's bank statements as part of my review of the full case file, but as I set out within my provisional decision, I found the checks BetterBorrow had completed were reasonable and proportionate in the individual details of this case. This means I don't consider BetterBorrow needed to complete any further checks than it did. Therefore, it didn't need to verify Mr G's actual income or expenditure by obtaining evidence from him to do so which could have included – but the rules aren't prescriptive in terms of what evidence to consider – reviewing his bank statements, for example.

So, it therefore follows while I reviewed Mr G's bank statements as part of my full review of the case file, my investigation doesn't consider them as I'm satisfied BetterBorrow's checks didn't need to be more thorough than they were. I don't consider BetterBorrow was – or ought reasonably to have been – aware of Mr G's compulsion, or that this loan would likely be used for gambling, based on the evidence it did obtain, which as I've found above I consider to have been proportionate in the individual circumstances.

Mr G has provided a copy of his credit file, which we already had on his case file and which I can assure him I also reviewed before issuing my provisional decision. However, I set out within my provisional decision why I considered BetterBorrow was entitled to rely on the information within the credit check it obtained. While Mr G's updated credit file from June 2023 does reflect two other loans taken in May 2022, as I set out previously these didn't reflect on the credit check BetterBorrow completed at the time; and I don't consider this unreasonable.

I say this because this loan with BetterBorrow was advanced within around four weeks of these other loans; so, it's not unreasonable that these loans didn't appear on the check BetterBorrow completed, or that the loans were being reported to a different credit reference agency than BetterBorrow used. In either event I consider BetterBorrow was reasonably entitled to rely on the information it identified from the credit report it obtained.

I accept Mr G's strength of feeling on his case, and how he says this loan and complaint has affected his health. It's clear Mr G is experiencing financial difficulties as he's confirmed that he's recently missed payments towards this loan. But as I've set out above and within my recent provisional decision, I'm satisfied BetterBorrow's checks were reasonable and proportionate in this instance; and that it went on to make a fair lending decision when providing Mr G with this loan.

So, it therefore follows I don't require BetterBorrow to take any further action in resolution of Mr G's complaint.

Given what Mr G has told us about his current health and financial situation I would remind BetterBorrow of its obligations to treat Mr G fairly and sympathetically in its contact with him, and when looking to arrange a suitable and affordable payment arrangement for the outstanding balance.

My final decision

For the reasons set out above I'm not upholding Mr G's complaint about Chetwood Financial Limited trading as BetterBorrow.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 14 December 2023.

Richard Turner
Ombudsman