

The complaint

Mr W complains that TM Advances Limited was irresponsible in its lending to him.

What happened

Mr W says he applied for a debt consolidation loan in August 2020 and was approved to borrow £3,000. He says the interest rate was high and resulted in him adding over £9,000 to his total debt. He says that at the time he had other loans from short term loan providers, and he was having to borrow more to make his repayments. He says that the £3,000 loan provided by TM Advances made his situation worse and should never have been approved.

Our investigator didn't uphold this complaint. She thought the checks carried out by TM Advances before the lending was provided were adequate. And based on the outcome of the checks she didn't think there was anything that meant the lending shouldn't have been provided.

Mr W didn't agree with our investigator's outcome. He said he took out several loans around the time of the TM Advances loan and had to keep borrowing more to meet his repayments. He said he was missing payments on his loans and was at the limit on his credit cards. He said he had another complaint about a loan which was upheld and while both loans were taken out to cover smaller short-term loans the TM Advances loan had double the rate of interest.

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.

Mr W has said that he had another complaint about a loan upheld. I note his comment, but we consider each case based on its individual merits. I take into account all relevant rules and regulations but my decision is based on what I consider fair and reasonable in light of the unique circumstances of the complaint. Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance, and good industry practice – is set out in our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mr W was provided with a £3,000 loan repayable over 40 months with monthly repayments of £249. Before the loan was provided, TM Advances gathered information from Mr W about his employment and income as well as his living costs. Mr W provided a copy of his payslip to verify his income and a credit search was carried out. Noting the size of the loan and the repayments, I think that the checks carried out before the lending was provided were reasonable.

However, just because I think the checks were reasonable, it doesn't necessarily mean that I think the lending should have been provided. Before I can say this, I need to assess whether the information gathered through the checks raised any concerns that the lending may not have been affordable.

I have looked at the details gathered through Mr W's application, and these show he was employed full time with a monthly income of £2,814. His income was verified through a payslip and I have looked at Mr W's account information in the months leading up to his application and this shows his income to be slightly higher.

A credit search was carried out. This didn't show any accounts with a payment status worse than 3 within the previous 24 months and no judgements or voluntary arrangements. The credit report showed that Mr W had made frequent use of short-term loans and while he was settling these, he was then taking out new loans. This should raise a concern about Mr W's borrowing pattern. But as the TM Advances loan was intended for debt consolidation this also needs to be considered and I note that Mr W said in his application that he had no loans to friends and family at the time and that the recent loans he had taken were to try to repair a vehicle, but this hadn't been successful, and he was looking to buy a new one. So, I do not find this issue alone is enough to say that the lending shouldn't have been provided.

Mr W's credit report didn't show adverse information recorded regarding the outstanding credit commitments Mr W had at the time of application. While I note the information Mr W has provided about missed payments as I think the checks that TM Advances carried out were reasonable, I accept that it will have relied on the information received through these.

So, while I have taken Mr W's previous borrowing into account, I do not find, on balance, given the other information provided, that this is enough to say that the lending shouldn't have been provided. But his credit commitments needed to be taken into account when assessing the affordability of the new loan.

Mr W explained that he was a council tenant, and his rent payments of £500 a month were up to date and so some months he just needed to top this up. I have looked through his account information and can see his payments for rent were below the £500 noted which supports Mr W's comments. That said it is reasonable that a figure of £500 for his rent would be used. Information was gathered about Mr W's living expenses, and these were recorded as £900 a month. Having looked through Mr W's account details I do not find that it was unreasonable to rely on this amount. Additional to this £200 was recorded for his car costs. This gives total monthly costs of £1,600 before his credit commitments.

Mr W's credit file showed that he had a total outstanding balance of £7,406 of which £5,553 was loans / instalment credit and £1,763 was revolving credit. Mr W was using 90% of his revolving credit limit. Taking this into account but also noting that Mr W said the loan was for debt consolidation, I do not think I have enough to say that the repayments under the TM Advances loan should have been considered unaffordable.

In conclusion, while I am sorry to hear of the difficult financial circumstances Mr W has experienced over recent years, in this case, I do not find I have enough to say that the lending shouldn't have been provided.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 22 March 2024.

Jane Archer
Ombudsman