DRN-4569335

The complaint

Mr M complains FUND OURSELVES Limited trading as Fund Ourselves ("Fund Ourselves") gave him loans he couldn't afford due to him having several other large loans outstanding at the time.

What happened

A summary of Mr M's borrowing can be found below

loan number	loan amount	agreement date	repayment date	number of monthly instalments	highest repayment per loan
1	£400.00	08/06/2023	09/06/2023	4	£191.20
2	£610.00	11/06/2023	outstanding	4	£268.40

Mr M referred his complaint to the Financial Ombudsman after it had been reviewed by Fund Ourselves who didn't uphold it. But Fund Ourselves did offer to assist Mr M in repaying the balance through a repayment plan.

The complaint was considered by an investigator, and she didn't think Mr M's complaint should be upheld because proportionate checks had been carried out. She was also satisfied that there was no indication that Mr M was in financial difficulties, or that further checks needed to have been conducted. Although, she did say the credit check results indicated Mr M's monthly credit commitments were greater than what he had declared, but even using the information from the credit check results, the loans still looked affordable.

Mr M didn't agree saying the income Fund Ourselves had recorded was incorrect, he received around £1,800 per month. He also said most of his income at the time went on gambling and Fund Ourselves ought to have known that. Finally, Mr M said the first loan was paid back so quickly due to gambling and Fund Ourselves ought to have questioned why this had happened.

As no agreement has been reached, the case has been passed to me.

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.

Fund Ourselves 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. Fund Ourselves' checks could've taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr M's income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Fund Ourselves 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 as there was only two loans, I don't think this applied in Mr M's complaint.

Fund Ourselves 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 loans sustainably. But it doesn't automatically follow that this is the case.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr M's complaint.

As part of his applications, Mr M declared a monthly income of £2,100 per month from full time work. Fund Ourselves has explained that it checked Mr M's income with a tool provided by a credit reference agency. The results of which were positive, indicating that what Mr M had declared was likely to be accurate. For two loans taken close together I think it was reasonable for Fund Ourselves to have relied on what Mr M declared as well as the result of the check.

Mr M has said that his income wasn't as high as £2,100 – it was actually around £1,800. But that wasn't reflected in the information he gave to Fund Ourselves as part of his applications and the additional income check didn't indicate any concerns with the value he had provided.

So, while Mr M's actual income may well have been £1,800 per month, as I don't think Fund Ourselves needed to do more than what it did before granting this loan it was entirely proportionate for it to have used the figure given to it by Mr M as part of its affordability check.

Mr M was also asked to declare his outgoings across several different categories, such as travel, rent, utilities, food and commitments. Mr M declared his outgoings were £920. As these were the first loans, I think it was, at this time, reasonable of Fund Ourselves to have relied on the information Mr M had provided.

Fund Ourselves believed, based on the information Mr M provided that he had enough disposable income to afford the largest monthly loan repayment of around £269. Therefore, it would’ve been reasonable for Fund Ourselves to believe the loans to be affordable for Mr M.

Fund Ourselves also carried out a credit search before each loan and it has provided the results it received from the credit reference agency. It is worth saying here that although Fund Ourselves carried out a credit search there wasn’t a regulatory requirement to do one, let alone one to a specific standard. But what Fund Ourselves couldn’t do is carry out a credit search and then not react to the information it received – if necessary.

The results of the credit search in my view wouldn’t have been concerning for Fund Ourselves. The results showed Mr M had 17 active accounts owing other creditors just over £10,000. Fund Ourselves was also told he had opened one new account within the last 6 months. Which wouldn’t superficially suggest that Mr M was reliant or dependent on this sort of credit.

Fund Ourselves knew that there had been five accounts enter default within the last three years – but I think these were too long before the loan start dates to have given Fund Ourselves cause for concern or to indicate that Mr M was having or likely having financial difficulties at the time the loans were applied for. There also weren’t any other types of insolvency such as County Court Judgements recorded in the results Fund Ourselves received.

It does seem from the credit check results that Mr M’s monthly outgoings for credit commitments were greater than the £110 he declared to Fund Ourselves. As the investigator identified, but even if Fund Ourselves had used the credit commitment amounts it discovered it still would’ve thought Mr M had sufficient disposable income to afford the payments.

Mr M says the first loan was repaid so quickly this ought to have been of a concern for Fund Ourselves. But I don’t agree. The loan was repaid so quickly it was almost as if he had withdrawn – indeed daily interest was charged of £3.20. But that wouldn’t have prompted further checks or to have made Fund Ourselves believe the loan was only repaid due to gambling when there was no other indications that there may have been an issue.

I say this because it’s entirely reasonable for Fund Ourselves to have perhaps concluded that the amount Mr M borrowed wasn’t enough – and that is why he needed loan 2, or the reason why he took the loan in the first place was no longer needed. But it doesn’t really matter what the reasons were, only that I don’t think the loan being repaid the next day ought to meant further checks needed to have been conducted before loan 2 was given.

In this case I think the checks that Fund Ourselves carried out for these were proportionate. They showed Fund Ourselves that Mr M would likely be able to afford his repayments. It therefore follows that I am not upholding Mr M’s complaint. I know Mr M will be disappointed with the decision that I have reached.

Mr M says he was gambling and was in a vulnerable position – and I am sorry to hear about this and I do hope things have improved for him. But unfortunately, that information wasn’t reflected in either what he told Fund Ourselves or what it discovered from carrying out proportionate checks. This means that Fund Ourselves couldn’t take this into account when carrying out its affordability assessment.

It was reasonable for Fund Ourselves to have relied on the information Mr M provided about his income and expenditure as well as the credit check results which showed sufficient disposable income to afford the repayments. There also wasn’t anything else to suggest that Mr M was currently having financial difficulties or that the repayments would be unsustainable for him. It therefore follows that I can’t uphold Mr M’s complaint.

An outstanding balance does appear to be due, and I would remind Fund Ourselves of its obligation to treat Mr M fairly and with forbearance moving forward.

My final decision

For the reasons I've explained above, I'm not upholding Mr M's compliant.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 March 2024.

Robert Walker
Ombudsman