

Complaint

Mrs R has complained about a personal loan Chetwood Financial Limited (trading as “Better Borrow”) which she says was unfairly lent to her. She says the loan was never affordable given her existing debts and so she shouldn’t have been lent to.

Background

Better Borrow provided Mrs R with a loan for £5,000.00 in September 2022. This loan had an APR of 27.6%, interest, fees and charges of £2,912.46 and a 48-month term. So the total amount payable of £7,912.46 was due to be repaid in 59 monthly instalments of £164.84 followed by 1 final monthly instalment of £164.98.

One of our investigators reviewed what Mrs R and Better Borrow had told us. She thought that Better Borrow hadn’t done anything wrong or treated Mrs R unfairly when it provided this loan and so didn’t recommend that the complaint be upheld.

Mrs R disagreed and asked for an ombudsman to review the complaint.

My findings

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mrs R’s complaint.

Having carefully considered everything, I’m not upholding Mrs R’s complaint. I’ll explain why in a little more detail.

Better Borrow needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice, what this means is that Better Borrow needed to carry out proportionate checks to be able to understand whether Mrs R could afford to make her repayments before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to provide loans to a customer irresponsibly.

Better Borrow says it approved Mrs R’s application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against

statistical data and information on a credit search it carried out which showed Mrs R's existing commitments were relatively well maintained at the time. Mrs R's declaration of income was cross-checked against information provided by credit reference agencies on the funds going into her account.

In Better Borrow's view all of the information it gathered showed that Mrs R could afford to make the repayments she was committing to. On the other hand, Mrs R has said she already had a lot of debt and so she couldn't afford this loan.

I've carefully thought about what Mrs R and Better Borrow have said.

As Better Borrow asked Mrs R about her income and expenditure and also carried out a credit check, it's clear that Better Borrow did obtain a reasonable amount of information before it decided to proceed with Mrs R's application.

Having looked at the credit check, it's clear that Mrs R had some existing debts. It's also fair to say that Better Borrow was aware that there had been a missed payment on one of Mrs R's accounts. However, this doesn't mean that Better Borrow ought to have automatically turned down Mrs R's application, or assessed it as if it was providing her with a mortgage by requesting a number of months' worth of bank statements.

Furthermore, the information from the time shows that Mrs R's selected loan purpose was debt consolidation. As I understand it Mrs R was going to consolidate the remaining balances she was unable to consolidate with a loan from another provider. I don't know whether Mrs R did go on to consolidate her remaining debts into this loan. But Better Borrow could only make a reasonable decision based on the information it had available at the time.

It won't have known whether Mrs R would actually pay off her existing balances – all it could do was take reasonable steps and rely on assurances from Mrs R that this would be done with the funds from this loan. So I'm satisfied that the proceeds of this loan could and should have been used to reduce some of Mrs R's existing balances.

And as this was a first loan Better Borrow was arranging for Mrs R, there wasn't a history of Mrs R obtaining funds and then failing to consolidate debts elsewhere in the way she committed to either. So Better Borrow was reasonably entitled to believe that Mrs R would be left in a better position after being provided with this loan.

I accept that Mrs R's actual circumstances may not have been fully reflected either in the information she provided, or the information Better Borrow obtained. I know that she said that she had £14,000.00 of childcare fees to clear. However, Mrs R was asked to provide information about her living costs and this was information that she chose not to declare. So Better Borrow wouldn't have known about this and I don't think that it could be expected to know this either.

I say this because this is unlikely to have shown up in any third-party checks either. I appreciate that Mrs R says that Better Borrow would have been aware she was making payments to childcare had it asked for her bank statements. This may be the case. But I don't think that Better Borrow had reason to ask for bank statements in this instance.

Furthermore, I've seen that Mrs R has performed a form of manual underwriting for her application. I appreciate that Mrs R has gone to a great deal of time to do this. But I should explain that it's only fair and reasonable for me to uphold a complaint in circumstances where a firm did something wrong.

Given the circumstances here, the lack of obvious inconsistencies and the assurances Mrs R made, I don't think that reasonable and proportionate checks would have extended into the granularity of assessment that Mrs R has since carried out.

As this is the case, I don't think that Better Borrow did anything wrong when providing this loan to Mrs R - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. And this would even more so prove to be the case if Mrs R did go on to repay some of her existing debts as her recorded loan purpose said she would.

So overall and having considered everything, I'm satisfied that Better Borrow didn't treat Mrs R unfairly or unreasonably when lending to her. And I'm not upholding Mrs R's complaint. I appreciate this is likely to be very disappointing for Mrs R – as she clearly feels strongly about this matter. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mrs R's complaint.

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

Jeshen Narayanan
Ombudsman