

The complaint

Ms S complains that Chetwood Financial Limited trading as BetterBorrow lent irresponsibly when it approved her loan application.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

In November 2021 Ms S applied for a loan of £15,000 after being advised she had been preapproved by BetterBorrow. Ms S completed an application and said she was a council tenant with rent of £171 a month. Ms S also said she was employed with an annual income figure of around £50,000 gross which totalled around £3,136 a month net.

BetterBorrow says it carried out a credit search and found Ms S had credit cards of around £7,950, mail order accounts of £940, loans totalling £10,651 and an overdraft of around £1,700. BetterBorrow says it used a credit reference agency to verify Ms S' monthly income over the last six months and applied essential living costs of £515 a month. BetterBorrow applied its lending criteria and says Ms S had around £1,255 disposable income when all her costs were covered.

BetterBorrow approved a loan for £15,000 with monthly repayments of £376.68 over 48 months.

Last year, Ms S complained that BetterBorrow lent irresponsibly when it approved her loan application and it issued a final response. BetterBorrow didn't agree it had lent irresponsibly and didn't uphold Ms S' complaint. Ms S referred her complaint to this service and it was passed to an investigator. They upheld Ms S' complaint and said BetterBorrow should've carried out more comprehensive checks before approving the loan application, like reviewing her bank statements. The investigator said a review of Ms S' bank statements would've shown her outgoings were higher than noted by BetterBorrow in the application data. The investigator thought BetterBorrow would've declined Ms S' application if it had carried out better checks.

BetterBorrow asked to appeal and said Ms S' application was approved in line with its lending criteria. As BetterBorrow asked to appeal, Ms S' complaint has been passed to me to make a decision.

What I've provisionally 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.

Before agreeing to lend, the rules say BetterBorrow had to complete reasonable and proportionate checks to ensure Ms S could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The

nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;*
- The total sum repayable and the size of regular repayments;*
- The duration of the agreement;*
- The costs of the credit; and*
- The consumer's individual circumstances.*

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstance by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I understand that my decision is likely to disappoint Ms S, but I've reached a different conclusion to the investigator and haven't been persuaded BetterBorrow lent irresponsibly in this case. I'll explain why.

As noted above, lenders are obliged to carry out reasonable and proportionate checks when assessing a loan application of this nature. What is considered proportionate can change from application to application. In this case, I've looked at the information BetterBorrow obtained and feel it was reasonably comprehensive. Ms S gave information about her residential status and rent each month. Ms S also said she was employed full time with a net monthly income of £3,136 which works out to a gross annual figure of around £50,000. Ms S' declared income figure was verified by BetterBorrow via a credit reference agency which confirmed the monthly income being paid into her account was in line with what she said in the application. I can also see that BetterBorrow used an estimate for essential living expenses of £515 a month.

BetterBorrow also obtained a copy of Ms S' credit report and got a picture of how much she owed and how her accounts had been handled. There was no evidence of adverse credit or regular missed payments. And BetterBorrow obtained a monthly repayment figure for Ms S' existing credit that was also factored into its lending assessment. I'm satisfied BetterBorrow was aware of the contents of Ms S' credit report and took that into account when looking at whether to approve Ms S' loan.

In my view, the checks BetterBorrow completed before approving the loan was reasonable and proportionate to the type and amount of credit she was applying for in November 2021. I haven't seen anything that leads me to say BetterBorrow ought to have done more, like reviewing Ms S' bank statements.

I understand our investigator upheld Ms S' complaint on the basis that the outgoings shown in her bank statements were higher than the figures used by BetterBorrow. I've reviewed Ms S' bank statements and understand that the information about her outgoings and source of income may not be in line with what's noted in the application. But, for the reasons given above, I wouldn't have expected BetterBorrow to request evidence, like bank statements, from Ms S in support of her application. So whilst I understand the contents of Ms S' bank statements show a different picture of her circumstances at the time, that's not information I would've expected BetterBorrow to request.

I'm sorry to disappoint Ms S but for the reasons I've noted above I'm satisfied BetterBorrow completed the relevant checks before approving her loan. And I'm satisfied its decision to lend based on the information that was available was reasonable. I haven't been persuaded that BetterBorrow lent irresponsibly.

I invited both parties to respond with any additional information they wanted me to consider before I made my final decision. BetterBorrow confirmed it had nothing further to add. Ms S responded and said her bank statements demonstrated her circumstances at the time of application, including vulnerable family members. Ms S said the provisional decision had failed to take into account that her household includes two carers and children that are vulnerable and required significant support. Ms S added that she didn't agree that BetterBorrow acted fairly given the vulnerable status of her family.

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.

I'd like to thank Ms S for the detailed response she's provided. I want to assure Ms S that I took her personal circumstances into account when I reached my provisional decision. I understand that Ms S was supporting her family at this time, was a carer and that there are vulnerabilities within her household that weren't considered by BetterBorrow when she applied.

Whilst I don't doubt what Ms S has told us about her circumstances, I need to consider whether that would've been known to BetterBorrow during the process of her loan application. As I've set out in my provisional decision, BetterBorrow considered the application based on its lending criteria. And there's nothing in the rules that says every application received requires BetterBorrow to obtain bank statements to verify what it's been told. BetterBorrow was required to carry out reasonable and proportionate checks.

As I've noted above, I'm satisfied BetterBorrow did carry out reasonable and proportionate checks. It reviewed Ms S' application which included information she provided about her circumstances, including residential status. Regular outgoings were factored in and BetterBorrow verified the level of income being paid into Ms S' bank account each month via the credit reference agencies.

For the reasons noted in my provisional decision, I'm satisfied BetterBorrow's checks were proportionate to the application Ms S made. So I wouldn't have expected it to go further and ask Ms S for additional information, like bank statements – which would've given a more complete picture of her circumstances.

As I'm satisfied that BetterBorrow's decision to proceed was reasonable based on what it knew about Ms S and the information included in the application, I haven't been persuaded it lent irresponsibly. I'm sorry to disappoint Ms S but I haven't been persuaded that BetterBorrow has treated her unfairly and haven't found grounds to uphold her complaint.

My final decision

My decision is that I don't uphold Ms S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 2 April 2024.

Marco Manente
Ombudsman