

The complaint

Mr M says Chetwood Financial Limited, trading as LiveLend, irresponsibly lent to him.

What happened

Mr M took out two loans from LiveLend. The first was for £5,000 over 30 months on 25 April 2019. The monthly repayments were £198.63 and the total repayable was £5,958.93. Mr M repaid this early at the start of September 2019. The second was for £8,200 over 27 months on 22 September 2019. The monthly repayments were £349.50 and the total repayable was £9,436.45.

Mr M says the second loan was taken out very quickly after the first as he was struggling financially. He had several loans, pay day loans, an overdraft and credit card debt and these loans were not affordable for him.

LiveLend says it completed a number of checks for both loans that collectively gave it the confidence they were affordable for Mr M.

Our investigator did not uphold Mr M's complaint. He said LiveLend carried out proportionate checks which did not show there were any reasons not to lend to Mr M.

Mr M disagreed and asked for an ombudsman's review. He said some of the results of LiveLend's checks ought to have triggered further checks, as well as consideration of the fact he applied for the second loan so soon after repaying the first.

I reached a different conclusion to the investigator so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to send any comments by 19 March 2024.

Extract from my provisional decision

I have reviewed the checks that LiveLend carried out prior to lending to Mr M. Both times, it asked about his income, his living and housing costs and his employment status. It checked his declared income using an external verification tool. It carried out a credit check to understand his credit history and existing credit commitments. From these checks combined, it concluded Mr M could afford the loans.

I will review each in turn.

Loan 1 – April 2019

I think these checks were proportionate for the first loan given its value, term and the monthly repayment relative to Mr M's declared and verified income. And I think LiveLend made a fair lending decision based on the information it gathered. I'll explain why.

Mr M declared a net monthly income of £1,850 and LiveLend verified this externally. He declared living and housing costs of £1,000 and the credit check showed his existing credit

commitments were costing £138 a month (arguably I would say they should have been around £10 higher to ensure Mr M was repaying both the interest and some of the capital on his revolving account – but this does not change my finding). So LiveLend calculated Mr M would have £513 disposable income each month after taking on this loan. The credit check showed he had very little existing debt (£862) and whilst he had used payday loans in the past, he had no such loans then. There was some adverse data on his file but it was historic and not a reason not to lend at this time.

In the round, I find LiveLend was not wrong to give loan 1 to Mr M.

Loan 2 – September 2019

Here I do not find the checks were proportionate. Mr M had just repaid loan 1 early and then less than a month later applied for these funds. He had also made repayments in excess of the contractual requirement during the term of loan 1. In addition Mr M declared he had no living or housing costs which ought to have triggered further questions. So, overall, I think LiveLend needed to better understand Mr M's actual financial position before agreeing a second, higher-value loan.

In cases like this we look at bank statements from the months prior to the loan application. I am not saying LiveLend had to do exactly this but it is a reliable way for me to understand what better checks would most likely have shown.

From them I can see Mr M had active payday loans from at least five different providers, as well as other longer-term high-cost lending. He was, it seems, in a cycle of borrowing to repay and so there was a high risk extending more credit to Mr M would most likely cause him financial harm. I am aware these debts did not show on the credit check LiveLend carried out, but I am satisfied had it completed better checks it would have most likely discovered Mr M was reliant on high-cost credit to make ends meet. It would also have seen Mr M had just taken out a loan for £5,000 at the end of August 2022. And there is no evidence that LiveLend approved this loan on the basis it was for debt consolidation – indeed it believed Mr M had just £10 of debt when he applied.

It follows I think LiveLend was wrong to give loan 2 to Mr M.

I then set out what LiveLend would need to do to put things right in respect of loan 2.

Both parties responded to my provisional before the deadline. Mr M accepted it. LiveLend disagreed. It said it was not appropriate to penalise Mr M because he used the product features of overpayments and early settlement on loan 1. And applicants often do not know their housing or living costs which is why its decisioning solution is designed to make appropriate decisions regardless of the submitted information – it considers it, but does not rely on it. For loan 2 Mr M had 81% of his income to cover essential living, housing, and any other costs so further checks were not needed.

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 unaffordable/irresponsible lending - including all the relevant rules, guidance, and good industry practice - on our website. I have taken this into account when deciding this complaint.

I have thought carefully about LiveLend's comments, but they do not change my conclusion. I will explain why.

My finding was that LiveLend needed to carry out further checks due to the fact Mr M had early settled loan 1 and then quickly applied for loan 2. This ought to have merited some further inquiry. I disagree with LiveLend's view that further checks would have in effect been penalising Mr M for using the product features of loan 1. Further checks lead to better informed lending decisions so I cannot see how this penalises an applicant. And here the reason for further checks is not simply that Mr M used certain product features, rather that he repaid one loan early but then quickly applied for another. I find this should have triggered the lender to be sure it fully understood the applicant's financial position.

With regards the lender's point about housing and living costs, whilst I can appreciate why it does not wholly rely on the applicant's declared level, if an applicant declared no living costs I would again expect it to query this. I remain of the view these two issues combined merited a fuller financial review.

And had LiveLend done this I think it, as a responsible lender, would not have given loan 2 to Mr M for the reasons set out in my provisional decision.

Putting things right for loan 2

Mr M had the benefit of the of the loan so it's fair that he should have repaid this money. But he paid interest and charges on a loan that should not have been given to him and this is unfair. So LiveLend will have to:

- Remove all interest, fees and charges applied to the loan.
- Treat any payments made by Mr M as payments towards the capital amount.
- As Mr M will have paid more than the capital, refund any overpayments to him with 8% simple interest* from the date they were paid to the date of settlement.
- Remove any adverse information about the loan from Mr M's credit file

*HM Revenue & Customs requires LiveLend to deduct tax from this interest. It should give Mr M a certificate showing how much tax it's deducted if he asks for one.

My final decision

I am upholding Mr M's complaint in part with regards to loan 2. Chetwood Financial Limited trading as LiveLend.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 15 April 2024.

Rebecca Connelley
Ombudsman