

The complaint

Mr P complains that My Finance Club Limited (My Finance), lent to him without doing the right checks. Mr P says that he did not have a job at the time and also that it paid the loan proceeds into the incorrect bank account.

What happened

Mr P took one loan from My Finance on 24 August 2023 having applied for it the day before. It was for £400 which was for a 60 day term and was due to be repaid as one total amount on 23 October 2023 and that would have been for £592. The payment records I have seen (which may not be up to date) show that those made by Mr P have been very small and it seems that he now owes a total of £800 on that loan.

Mr P complained soon after taking the loan and received the final response letter (FRL) from My Finance on 10 October 2023, which was before the repayment was due to have been made. My Finance did not uphold his complaint and gave reasons as to why which included an outline of the checks it had carried out and why it considered the £400 loan was affordable to him.

Mr P was dissatisfied with that outcome and referred his complaint to the Financial Ombudsman Service where one of our investigators looked at it all.

Our investigator needed quite a lot more information from Mr P, including details surrounding the alleged payment into the 'wrong account', evidence of his unemployment, details as to when and how Mr P had asked My Finance to pay the money into a specific account and additional details surrounding a suggestion that the loan had been taken out by his son when he'd declared he had no dependents.

The information our investigator received from Mr P did not include any documents or copies of any details to answer these points but Mr P did suggest we ask My Finance which account he'd asked them to pay the loan into, and then for details as to the one they did pay it into which was different.

Our investigator issued her view letter and did not uphold the complaint.

Part of the investigator's view was that she had tried to get more information as to whether Mr P's complaint did include details surrounding a son. She had asked Mr P to clarify whether this was still an aspect of his complaint but Mr P had not confirmed that this was a part of the complaint. So, she did not think it was necessary to consider this complaint point any further. Neither do I.

Mr P responded to our investigator's view by repeating that My Finance did not carry out the right checks and should have asked for his '*proof of work, payslips, etc...*' and later added that it should have asked for his copy bank statements before lending.

Mr P has made no further reference to any mention of a son or any of the points he had raised in conjunction with that son having a disability. And so, I have taken the same

approach and not progressed that part of the complaint surrounding a son.

The complaint was referred to me for a decision and I asked for more information from My Finance including account notes and other details surrounding the complaint.

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.

My Finance had to assess the lending to check if Mr P 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. My Finance's checks could've taken into account several different things, such as how much was being lent, the size of the repayments, and Mr P's income and expenditure.

I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest My Finance should have done more to establish that any lending was sustainable for Mr P. These factors include:

- Mr P 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 P 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 P 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 P.

My Finance was required to establish whether Mr P could *sustainably* repay the loan – 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 P was able to repay the 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 P's complaint. I've decided not to uphold his complaint and I explain here.

Mr P had said to My Finance when he applied for the loan, that he earned £2,525 each month from full time employment and he had been with that employer for 72 months. His next pay date was 25 August 2023.

His monthly housing costs were £200, his utilities each month were £50, food was £100, transport £50 and his total credit repayment costs were £120. For a category named 'other' Mr P had inserted £220. These added up to £740 which appear to have been adjusted upwards by My Finance to £753. So, the loan would have appeared affordable.

So, I think that My Finance carried out proportionate checks as it verified Mr P's income using a particular on-line tool method, and checked his credit file which did not show any elements to prompt it to be unduly concerned. There was nothing there to indicate that Mr P was in financial difficulties or had been falling behind in his payments.

In relation to Mr P's income, I appreciate that Mr P feels particularly hard done by because he got the loan when he says that he was out of work. And I can see in a later set of bank account statements he sent to My Finance after he'd complained (which have been sent on to us) that he was receiving some out of work benefits from the Department of Work and Pensions (DWP). That indicates he was on some sort of financial support in around November 2023. But the loan was applied for in August 2023 so it does not tell us his employment position in August 2023. I'll refer to that bank account ending *0741 as Bank A.

I've received from My Finance another set of copy bank statements for a different current account which I will refer to as Bank B. That covered the January/February 2024 period. Mainly it records transfers between the account at Bank A and the one at Bank B.

Our investigator had asked Mr P for details about his unemployment and he's not sent us any information. So, I do not know when Mr P was out of work.

Because Mr P was adamant he was out of work in August 2023 and because I had seen a DWP payment in his November 2023 bank statements then I asked My Finance to send to us more details about the income verification it says it carried out, and it has done that.

I appreciate that on-line, and/or bank account checking of income is a '*behind the scenes*' check and so not as obvious to Mr P as, for instance, My Finance asking him for copy payslips before lending. However, these are well rehearsed and established methods of income verification. And for a first loan for this sort of value I'd not necessarily expect My Finance to have asked for copy bank account statements as that would have been disproportionate. It could have asked for a payslip but it did not – it did the route it felt was appropriate at the time and having been informed Mr P was in full time work it had no reason to think otherwise.

Based on the information and evidence given to me by both parties, then I am satisfied that My Finance carried out a check of one kind about his income. It may not have been the sort that Mr P would have expected. But it is the level of check I would have expected where Mr P has applied for a first and relatively low-value loan. Especially where Mr P had declared to My Finance that the salary he was receiving for full time work was about £2,500 each month.

My Finance was entitled to rely on the information Mr P had given it for a first and relatively low-level loan application. My Finance had no reason to question Mr P about his income, although it turns out that Mr P may have been out of work at the time. My Finance would not have known that and still it carried out an income verification check. So, I consider that to have been satisfactory.

As for the credit search details carried out by My Finance which I have reviewed, Mr P had taken two loans in June 2023 which were just before he'd applied for the My Finance loan. One was for £144 and had a balance on it of £120 and the other had been for £500 and had a balance on it of £416. The repayments looked to have been monthly and were likely relatively low ones and I have calculated (using the credit search results) they were about £25 and £40 a month respectively.

In addition, Mr P had seven credit cards with a joint outstanding balance of around £4,106 which at a minimum repayment of 3% would have been around £123 each month and at a

minimum repayment of 5% would have been around £205 each month. On one of these cards, he was up to his limit but on the other six he had balances on them but he was not at the credit limit.

Mr P had two current accounts and these had no indication of the bank having reported any adverse payment information to the credit agency. So, these looked to have been managed satisfactorily. Mr P had a telecoms account – likely a mobile phone.

My Finance did not need to carry out a credit search. The information it received it relied on and I consider that to have been reasonable. It carried out proportionate checks.

I do not uphold Mr P's complaint about the irresponsible lending.

I understand that there's a balance outstanding and I remind My Finance about the requirement to demonstrate forbearance.

Payment into the 'incorrect' account

When Mr P applied for the loan he had informed My Finance that his account was the one with Bank A.

I have received copies of two sets of bank account from My Finance – one from Bank A for November 2023 and the other from Bank B with an account ending *1758 covering a later period of February 2024. From these I can see that the account number for Bank A was the one Mr P had given to My Finance when he applied. And there's no evidence from either party of Mr P having asked for the loan proceeds to be sent to a different account.

Mr P has shown us in his correspondence that he feels very strongly about this but he's sent us no evidence to support his claim in relation to this part of his complaint.

My Finance has explained to us that both it and the Faster Payments process

'undertook validation of the information to ensure that the sort code and account details were 1) correct, 2) registered in the name of [Mr P] at his stated address, and 3) were active. All aspects of the bank account validation were successful.'

So, I do not consider that My Finance had done anything incorrect by paying the loan proceeds into the Bank A account.

A further point linked with Mr P's submissions about bank accounts, is that Mr P had said that he '*had no access*' to that account for some reason. But it seems that Mr P does have access to it as both the Bank A and Bank B statements I have seen show multiple transactions in and out of both accounts which also look to have been between each account as well. So, I think it's likely that Mr P did have access to the Bank A account in August 2023. And if he did not, then that position had changed by around November 2023 as that's the period for which I've seen the Bank A statements.

I do not uphold this part of Mr P's complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 11 June 2024.

Rachael Williams
Ombudsman