

## **Complaint**

Mr C has complained about a personal loan Chetwood Financial Limited (trading as “Better Borrow”) provided to him. He says the loan was unaffordable and shouldn’t have been provided to him.

## **Background**

Better Borrow provided Mr C with a loan for £5,000.00 in April 2021. This loan had an APR of 18.6% and the total amount to be repaid of £7,488.32, which included interest fees and charges of £2,488.32, was due to be repaid in 59 monthly instalments of £124.81 and a final instalment of £124.53.

One of our investigators reviewed what Mr C and Better Borrow had told us. She thought that Better Borrow hadn’t treated Mr C unfairly and so didn’t recommend that the complaint be upheld.

Mr C disagreed and asked for an ombudsman to review 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.

Having carefully considered everything, I’ve decided not to uphold Mr C’s complaint. I’ll explain why in a little more detail.

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 Mr C’s complaint.

Better Borrow needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Better Borrow needed to carry out proportionate checks to be able to understand whether Mr C could afford to repay 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 lend to a customer irresponsibly.

Better Borrow says it agreed to Mr C’s application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked Mr C’s declaration of income against information that it obtained from credit reference agencies on the funds going into main bank account each month. Furthermore, the credit checks showed Mr C had

some existing debts in the form of a loan and credit card but this wasn't excessive in comparison to his income.

In Better Borrow's view all of the information it gathered showed that Mr C could afford to make the repayments he was committing to.

On the other hand, Mr C has said he couldn't afford this loan.

I've carefully thought about what Mr C and Better Borrow have said.

The first thing for me to say is that Better Borrow has provided the details of its credit searches. Better Borrow having carried out credit checks shows that it didn't simply rely on what Mr C said and that it took some steps to check at least some of the information he provided in his application.

Better Borrow searches appear to show that Mr C's existing commitments were relatively well maintained. Crucially, according to the credit searches, Mr C's debt total at the time of the applications was also reasonable in comparison to what was declared as his income. And there isn't anything else obvious in the information gathered which leads me to think that further checks would have been reasonable and proportionate.

I accept that Mr C's actual circumstances may not have been fully reflected either in the information he provided, or the information Better Borrow obtained. For example, I note that Mr C says he was unemployed until May 2021. It's not entirely clear to me that he was. But even if this is the case, he did declare that he was employed and the statements he has provided show that he was transferring funds in from another source.

In any event, Mr C was due to receive a wage by the time the first payment on this loan was due. Furthermore, while Mr C says that he was supporting his uncle and helping him out, I fail to see how Better Borrow can reasonably be expected to have known this.

I also acknowledge that if Better Borrow had gone into the depth of checks Mr C appears to be saying it should have – such as obtaining bank statements – it's possible but by no means certain it may have reached a different answer. But the key here thing is that I don't think the circumstances of the lending here warranted obtaining bank statements. Particularly as Mr C could have used some of the funds from this loan to clear his overdraft.

Given this was a first loan, the funds going into Mr C's account didn't contradict his declared income and what was on the credit search, I don't think that a complete review of Mr C's finances would have been proportionate. And even then, I've simply not been provided with sufficient evidence to persuade me that Mr C couldn't have afforded the repayments here.

Equally, it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the circumstances here, and the lack of obvious inconsistencies, I don't think that reasonable and proportionate checks would have extended into the level of checks Mr C is suggesting. As this is the case, I don't think that Better Borrow did anything wrong when deciding to lend to Mr C. I've simply not been provided with any persuasive evidence which clearly demonstrates proportionate checks would have shown that the low monthly repayments required for this loan were unaffordable.

So overall and having considered everything, I don't think that Better Borrow treated Mr C unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr C's complaint. I appreciate this is likely to be very disappointing for Mr C. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

**My final decision**

For the reasons I've explained, I'm not upholding Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 14 June 2024.

Jeshen Narayanan  
**Ombudsman**