

The complaint

Mr S is complaining about Chetwood Financial Limited trading as Live Lend because he says it lent irresponsibly by giving him a loan he couldn't afford.

What happened

In 2022, Mr S arranged a loan with Live Lend for £10,000 over a term of 3 years. The interest rate was 23.6% and the monthly repayment £377. I understand the loan defaulted about 18 months after it was approved.

After the complaint was referred to me, I issued my provisional decision setting out why I didn't believe it should be upheld. My reasons were as follows:

Before lending to Mr S, Live Lend was required to carry out appropriate checks to ensure the repayments were affordable and sustainable. To decide whether this requirement was met, the key questions I need to consider are:

- Did Live Lend complete reasonable and proportionate checks to establish that Mr S would be able to repay the loan in a sustainable way?*
- If so, was the decision to lend fair and reasonable?*
- If not, what would reasonable and proportionate checks have discovered, and would the decision to lend have been fair and reasonable in light of that information?*

Live Lend has described the information it gathered to assess whether Mr S's loan was affordable before it was approved. This included:

- information contained in his application, including residential status, housing costs, employment status and his income, which was separately verified;*
- information obtained from a credit reference agency (CRA), giving details of his existing credit arrangements and any past issues with credit, including missed payments and defaults; and*
- an expenditure assessment using a combination of housing costs declared by Mr S, modelled data for essential expenses, and actual data from the CRA about the cost of his existing credit arrangements.*

In making his application, Mr S declared his average monthly income was over £3,200 and I note Live Lend says this was separately verified with information from the CRA. He also declared his housing costs to be £650, which I agree doesn't obviously appear to be an underestimation.

In respect of his existing credit commitments, Live Lend's credit check showed Mr S had existing debts totalling £9,658. This included a loan with an outstanding balance of around £7,000, an overdraft of around £1,200, and credit cards with a total balance of less than £800 (compared to limits totalling £2,200).

The credit check also showed Mr S was up to date with payments on his existing debt, hadn't defaulted on an account for nearly four years or used payday loans since 2019. On the issue of payday loans, there does seem to have been some confusion and the investigator's belief that Mr S had used these and missed payments much more recently was a key factor in her view the complaint should be upheld. But Live Lend has subsequently provided full data from its credit check to confirm the information it obtained showed Mr S hadn't used this type of credit since 2019.

After considering this information carefully, I don't think there was any indication Mr S was struggling financially at this point. He wasn't heavily indebted compared to his income and seemed to be managing his existing commitments well. In addition to being up to date with payments, he was well within the limits on his credit cards.

Live Lend says it also considered Mr S's essential expenditure based on a combination of his housing costs as declared in his application, existing credit commitments as recorded by the CRA, and modelled statistical data to estimate other living expenses. In this way, it determined he had sufficient disposable income (of nearly £1,000 per month) to afford the additional loan.

The use of modelled statistical data to estimate expenditure is an approach that's recognised by the regulator for assessing credit applications. It was clearly less thorough than an assessment of a Mr S's actual expenses by reference to his bank statements for example. But in view of the information Live Lend already had about his income and existing commitments, I think it was a proportionate approach in this case.

I've also considered Live Lend's lending decision based on the information obtained from what I believe to have been a proportionate affordability assessment. In my view, it was entitled to believe the new loan repayments would be affordable for Mr S and that the decision to lend was a reasonable one.

It's for these reasons that I'm currently not proposing to uphold this complaint. I realise this outcome will be disappointing for Mr S, but I'm satisfied it's fair and reasonable in the circumstances and I hope the explanation provided at least helps him to understand the reasons.

Live Lend accepted my provisional decision. Mr S didn't and asked how Live Lend verified how much he paid for rent as the amount used in the calculation was considerably less than he was actually paying.

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.

Having done so, my findings haven't changed from those I set out previously.

The evidence provided indicates the amount used for rent in Live Lend's affordability calculation was a figure declared by Mr S in his application. To some extent, I think it was entitled to rely on this information. And people can have all sorts of living arrangements, including staying with family or friends, which is often much cheaper than commercial rent, and I don't believe £650 was an obvious underestimation that required further verification.

If Live Lend had checked Mr S's bank statements, it certainly would have seen he was paying more than this in rent. But in view of the information it did obtain and what that

revealed, I'm satisfied Live Lend carried out appropriate checks in this case and was entitled to believe the loan was affordable.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 June 2024.

James Biles
Ombudsman