

## **The complaint**

Miss B, who is represented by her father, complains that Social Money Limited, trading as Payl8r ('Payl8r') irresponsibly gave her a loan she couldn't afford and without carrying out proper checks. For simplicity, I will refer to the business throughout as 'Payl8r'.

## **What happened**

In May 2023 Miss B applied for a loan with Payl8r. The purpose of the loan was to pay for a residential guarantee against a property. She did this at the request of a friend. She was given a loan for £1,261 which was repayable by 9 monthly repayments of £197.31. The total repayable under the terms of the loan agreement was £1,780.35.

The first monthly payment was taken but Miss B then got into difficulty with meeting the next two payments that were due in September and October 2023. An outstanding sum of around £1,500 remained due when Miss B's complaint came to us and we obtained details from Payl8r.

Miss B and her father complained to Payl8r to say that the account shouldn't have been opened for her because it wasn't affordable. They also said Payl8r didn't carry out reasonable and proportionate checks before agreeing to lend to Miss B.

Our investigator didn't recommend that the complaint be upheld. He thought that Payl8r's checks before agreeing the loan had been proportionate.

As Miss B and her father didn't agree, the complaint has been passed to me to decide.

## **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.

Payl8r will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

I'd like to reassure Miss B and her father that I've looked at the complaint afresh and independently reviewed all the available evidence and information, including what they've said in response to our investigator's view. Having done so, however, I am not upholding this complaint for broadly the same reasons as our investigator. I'll explain my reasons.

The rules don't say exactly what a lender should look at before agreeing to lend, but reasonable and proportionate checks should be carried out. Lenders must work out if a borrower can sustainably afford the loan repayments alongside other reasonable expenses the borrower also has to pay. This should include more than just checking that the loan payments look to be affordable. A proportionate check might also require the lender to find

out the borrower's credit history and also take further steps to verify the borrower's overall financial situation.

If reasonable and proportionate checks weren't carried out, I need to consider if a loan would have been approved if the checks had been done. If proportionate checks were done and a loan looks affordable, a lender still needs to think about whether there's any other reason why it would be irresponsible or unfair to lend. For example, if the lender should have realised that the loan was likely to lead to significant adverse consequences or more money problems for a borrower who is already struggling with debt that can't be repaid in a sustainable way. In other words, it wouldn't necessarily be enough for Payl8r to simply think about the likelihood of it getting its money back. Rather, it also had to consider the impact of the loan repayments on Miss B .

I first want to make it clear that before looking into the lending decision that Payl8r made, I have thought carefully about the circumstances in which the loan was taken out. Miss B was asked by a friend to complete the loan application details. The friend had previously been turned down for a Payl8r loan. Payl8r used the friend's email and mobile phone contact details for its records and to send the paperwork. Miss B was then given access to the paperwork by way of a code provided by the friend. She was then able to add her own details. Whilst some of the friend's details were included on Payl8r's system, it was Miss B, as the person who was required to complete the credit agreement, who became responsible for repaying the loan.

Miss B and her father have said that Payl8r's checks should have been more rigorous so as to have prevented the application going ahead, especially since the friend of Miss B had already made an application which was rejected.

I am concerned to learn of this sequence of events. I appreciate that Miss B appears to have been taken advantage of in order to obtain the loan for someone else. But I also have to consider that it was open to Miss B to inform Payl8r that she was doing this and would not be benefitting from the loan funds herself. And it is not unusual for lending to be applied for by one individual for the benefit of another. In this complaint I am looking at the question of whether or not the loan was granted irresponsibly. It isn't my role to review or comment upon the way Payl8r's application and lending process operates. Rather, I am looking at the specific lending decision it made and whether it was fair to make that decision given Miss B's financial circumstances. To that extent, I think it correctly identified Miss B as the borrower and carried out its checks using her details.

Miss B's also says that Payl8r didn't do enough to ensure that the loan would be affordable for her and that she'd be in a position to repay it sustainably for the full length of the loan. I've looked at the evidence showing the checks Payl8r carried out before approving the loan. As I have said, it relied on Miss B's correct details, including her date of birth and address details. When it went on to carry out a credit check using a credit reference agency, the check results were produced based on the same correct information.

Payl8r requested that the credit reference agency look into Miss B's credit history and financial circumstances. The results showed no existing borrowing and no history of borrowing before. So there weren't any issues, such as missed or late payments, that might suggest potential problems with being given the new borrowing. Miss B's income and regular spending was also checked by way of obtaining details of her current bank balance plus carrying out an analysis of credits and debits over the previous six months.

Payl8r therefore went ahead with the decision to lend as, based on what it had seen, the loan appeared likely to be affordable for Miss B and she would be able to fund the repayments in a sustainable way.

I think these checks were reasonable and proportionate given the value and term of the loan and the cost of the monthly repayment relative to what was known about Miss B's income and the absence of existing debt.

I've also reviewed four months of bank statements leading up to the lending decision. These are broadly consistent with the picture provided by the bank checks Payl8r carried out. They show that Miss B had an income coming in, albeit a relatively low one that fluctuated. She was also spending on food shopping and other household costs. But she wasn't paying for rent or towards a mortgage and wasn't having to find money to pay for utilities or ongoing credit commitments.

I therefore don't think that based on what it found before approving the loan, that Payl8r was acting unfairly in granting Miss B the lending which appeared to be affordable with Miss B looking to have the ability to repay it in a sustainable way.

It follows that I've seen insufficient evidence to show that this loan represented unaffordable lending at the time it was provided. And I haven't seen evidence that Payl8r may have acted unfairly towards Miss B in some other way.

But I take this opportunity to remind Payl8r of its obligation to treat Miss B fairly and apply forbearance wherever possible with paying off any outstanding loan balance.

I know that Miss B and her father will be disappointed with my decision about the loan, particularly as I appreciate that Miss B is a vulnerable individual – although this isn't something that was made known to Payl8r at the time she took out the loan or that Payl8r could have been expected to otherwise be aware of.

It follows that I have not found sufficient evidence to uphold this complaint.

I've considered whether the relationship between Miss B and Payl8r might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Payl8r lent irresponsibly to Miss B or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

For the reasons I've set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 27 August 2024.

Michael Goldberg  
**Ombudsman**