

The complaint

Mr M complains that Custom Credit Limited hasn't paid to him the amount that it agreed to lend him.

What happened

I issued a provisional decision on this complaint last month in which I described what had happened as follows:

"Mr M applied to Custom Credit for a loan of £2,760 repayable over twelve months in April 2024 to pay for a wedding. Mr M was sent a fixed sum loan agreement by Custom Credit for that loan which required him to make 12 monthly repayments of £262.19 and which it had signed. Mr M says that he signed the loan agreement but Custom Credit then informed him that his application had been declined.

Mr M complained to Custom Credit but it said that his application had been declined and it couldn't assist him with a loan at that time. It said that it had taken that decision based on a range of factors including the details that Mr M provided, the information provided by the credit reference agencies, and open banking information (which included its own affordability checks).

Mr M wasn't satisfied with its response so complained to this service. His complaint was looked at by one of this service's investigators who, having considered everything, didn't think that it should be upheld. She said the loan was declined because the relevant creditworthiness requirements weren't met as Mr M's address was unverified so it would have been irresponsible for Custom Credit to have lent to him. She said that the Financial Conduct Authority's rules required Custom Credit to demonstrate Mr M's creditworthiness before the loan was accepted. She said that Mr M had been caused some inconvenience but she thought that Custom Credit had acted fairly and in accordance with the Financial Conduct Authority's requirements.

Mr M didn't agree with the investigator's recommendation and asked for his complaint to be considered by an ombudsman. He says that he didn't provide inaccurate or untrue information and if he'd been asked to provide proof of address he could have done so. He says that he received pre-contract credit information, then the loan agreement which was signed, and then an email explaining the terms of the agreement and which stated that the loan had been approved and would be paid and there was no mention of further checks".

Provisional decision

I set out my provisional findings in my provisional decision which were:

"Custom Credit is required to ensure that it only lent to Mr M responsibly and to make reasonable and proportionate checks to ensure that the loan was affordable for him. Mr M applied to Custom Credit for a loan of £2,760 repayable over twelve months. He says that he received pre-contract credit information, then the loan agreement

which was signed, and then an email explaining the terms of the agreement and which stated that the loan had been approved.

Custom Credit says that Mr M provided an address that couldn't be verified through the credit reference agencies so it was unable to conduct a comprehensive creditworthiness assessment but it was able to complete an open banking affordability assessment which Mr M didn't pass. It says that Mr M received an incomplete loan agreement and it then informed him that his application had been declined.

It's for Custom Credit to decide whether or not to lend to a customer, and it shouldn't have lent to Mr M if he hadn't passed an affordability assessment. I consider that its decision not to lend to Mr M was fair and reasonable in these circumstances and I find that it wouldn't be fair or reasonable for me to now require it to lend to Mr M. But by sending a signed loan agreement to Mr M (which he says that he then accepted), I consider that it created a reasonable expectation for Mr M that it had agreed to lend him the money. So he will have been caused distress and inconvenience when he then found out that his application had been declined and he wouldn't be receiving the loan.

I consider that Mr M should receive some compensation for that distress and inconvenience. From the evidence that Custom Credit has provided I can see that Mr M applied for the loan at 21.33 on 15 April and he became aware before 08.52 on 16 April that his application had been declined. I find that £50 would be fair and reasonable compensation for the distress and inconvenience that Mr M has been caused by Custom Credit in these circumstances".

Subject to any further comments or evidence that I received from either Mr M or Custom Credit, my provisional decision was that I intended to uphold Mr M's complaint in part and to order Custom Credit Limited to pay him £50 to compensate him for the distress and inconvenience that he's been caused.

Mr M has accepted my provisional decision but Custom Credit says that there's some relevant information that has been provided but which I haven't commented on in my provisional decision so it wants to clarify that it has been shared with me and has been considered as part of the decision making process. That information is that Mr M had applied for loans at least five times over three and a half months and each time he provided different or conflicting information which can be indicative of potentially intentional fraudulent activity and makes it more difficult to match addresses with the credit reference agencies. It says that it doesn't agree that Mr M was inconvenienced or distressed by it declining his application.

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.

I had considered the information to which Custom Credit has referred so it doesn't change my provisional decision. I said in my provisional decision: *"I consider that [Custom Credit's] decision not to lend to Mr M was fair and reasonable in these circumstances and I find that it wouldn't be fair or reasonable for me to now require it to lend to Mr M"*. And the information about his previous applications would be relevant to its decision not to lend to Mr M.

I then said: *"But by sending a signed loan agreement to Mr M (which he says that he then accepted), I consider that it created a reasonable expectation for Mr M that it had agreed to*

lend him the money. So he will have been caused distress and inconvenience when he then found out that his application had been declined and he wouldn't be receiving the loan". I don't consider that the information about Mr M's previous applications should change that provisional finding.

I'm not persuaded that I should change my provisional decision and I find that it would be fair and reasonable for Custom Credit to pay £50 to Mr M to compensate him for the distress and inconvenience that he's been caused in these circumstances.

My final decision

My decision is that I uphold Mr M's complaint in part and I order Custom Credit Limited to pay him £50 to compensate him for the distress and inconvenience that he's been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 21 November 2024.

Jarrold Hastings
Ombudsman