

The complaint

Miss T complains that Chetwood Financial Limited trading as LiveLend was irresponsible in its lending to her.

What happened

Miss T was provided with a £10,000 loan by LiveLend in December 2021. She said that the lending shouldn't have been provided as she had missed payments on her existing commitments and was already in a lot of debt. She thought that adequate checks would have shown this. Miss T said that she can't afford to repay the loan and that she has ongoing mental health issues which are being made worse by this issue. She wants the loan written off and a refund of all interest and charges paid along with statutory interest.

LiveLend issued a final response to Miss T's complaint in October 2023. It said that credit and affordability checks were carried out before the loan was provided and Miss T met its eligibility criteria. It said it reviewed the information provided by Miss T alongside her credit file to assess her financial position and to provide confidence that she would be able to maintain the loan repayments. LiveLend didn't think it had done anything wrong by providing Miss T with the loan and so didn't agree to refund the interest. It also noted that it didn't charge late payment fees and no charges had been applied to Miss T's account.

Miss T wasn't satisfied with LiveLend's response and referred her complaint to this service.

Our investigator upheld this complaint. While she thought the initial checks carried out were proportionate based on the term and cost of the loan, she thought the information identified through these checks raised concerns which should have meant further checks took place before the lending was provided. She found that had further checks taken place these would have shown that Miss T was heavily reliant on her overdraft and hadn't had a credit balance for an extended period. She noted that the loan wasn't for debt consolidation and that the new loan would result in Miss T's debt repayments being more than 50% of her income. She didn't think this was sustainable. She noted that Miss T wasn't managing her existing commitments well at the time she applied for the loan with several returned direct debits on her account. Given this our investigator didn't think the lending was sustainably affordable for Miss T.

LiveLend didn't accept our investigator's view. It said it requested copies of Miss T's bank statements from the time of lending when she raised her complaint but as these weren't provided it had to respond to her based on the information it had available. After being sent copies of the evidence that had been provided by Miss T as part of the investigation, LiveLend said the statements didn't show Miss T's name, address or account details and there was nothing to show the statements were for an account in Miss T's name.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a decision.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the lending was provided, LiveLend gathered information about Miss T's income and verified this using current account turnover data. I find this reasonable. This gave Miss T a monthly income of just over £1,900. A credit check was carried out which showed Miss T had existing credit commitments consisting of non-mortgage fixed term debt (£17,758), credit card debt (£3,604), and an overdraft (£964). Based on this LiveLend calculated her existing monthly credit commitments to be around £615. Miss T had said she was living with parents and LiveLend included in its calculations housing costs of £192 and living costs of £600. This resulted in Miss T having disposable income after the LiveLend repayments of around £200.

While I note LiveLend's comment about the checks it undertakes and that it doesn't request copies of bank statements, I think in this case further questions should have been asked based on the results of the initial checks. I say this because Miss T's unsecured debt was around the same as her net annual income. Taking a repayment for her credit card debt of 5% would give a monthly repayment amount of around £180 which added to her repayment for other fixed term debts (recorded by LiveLend as £485) and the LiveLend loan gives around £955 which is equivalent to around 50% of her monthly income (this doesn't include any repayment to her overdraft). Also noting that Miss T was utilising 90% of her existing credit card limit (on a card that had only recently been taken out) and was operating near her overdraft, I think this could raise concerns that providing further debt wouldn't be sustainably affordable for Miss T. Therefore, given the size and term of the LiveLend loan and based on the information it had received, I think further checks should have been carried out to ensure the new lending was sustainably affordable for Miss T.

LiveLend wasn't required to look at Miss T's bank statements but given the information it had identified regarding her financial circumstances, I think it was required to verify her expenses to ensure it had a clear understanding of her financial situation. Miss T has provided copies of her bank statements and I have used the information contained in these and Miss T's credit report to give me an indication of what LiveLend would have identified had further checks been undertaken.

I note the concerns raised by LiveLend about the account statements but given the information they contain and comparing this to Miss T's credit report and other information provided, I find it reasonable to rely on this information.

The bank statements show that Miss T was paying around £666 a month towards her other credit commitments excluding her credit card. Her credit report showed she took out the credit card less than three months before applying for the LiveLend loan and the information LiveLend received through its checks showed she was utilising around 90% of this. This gave a credit card balance of around £3,600 for which reasonable monthly repayments would be around £180. She was also paying for her overdraft. Adding in the LiveLend

repayments meant Miss T's total monthly repayments for her credit commitments were over 50% of her monthly income. I think this should have raised concerns that the LiveLend loan (given its size and term) wouldn't be sustainably affordable for Miss T.

Miss T's bank statements also showed that she was operating in her overdraft and hadn't had a credit balance for several months and she also had several direct debit payments returned in the months leading up to the LiveLend loan being provided. This suggests that Miss T was struggling to manage her credit commitments before the new loan and that taking on further debts at this time would likely not be sustainable for her.

On balance, considering the size and term of the loan and the information LiveLend received in response to its initial checks, I think additional checks should have been carried out. Had these happened, I find it more likely than not that LiveLend would have identified that Miss T was already struggling to manage her debts and that providing a further £10,000 loan would not be sustainably affordable for her. Therefore, I am upholding this complaint.

As I don't think LiveLend should have arranged this loan, I don't think it's fair for Miss T to pay any interest or charges for the borrowing. Miss T has said that she would like her debt written off. However, Miss T did have the use of the funds she was lent, and we wouldn't typically recommend that the debt be written off. There may be exceptional circumstances when this would be appropriate, however based on what I have seen I don't think it's appropriate in this case. Instead, I consider the fair outcome to be for all interest to be removed from the loan and all payments Miss T has made to be considered as repayments of the amount lent. If this results in any overpayments these should be refunded along with interest.

Putting things right

To settle Miss T's complaint LiveLend should remove all interest and charges and treat all of Miss T's payments as if there were repayments for the amount lent.

If there is still an outstanding balance on Miss T's account, LiveLend should arrange a payment plan for the shortfall to be repaid.

If Miss T has made overpayments, these should be refunded along with 8% simple interest per year* from the date of each overpayment, if there were any, to the date of settlement.

Once any outstanding balance on the loan has been repaid, LiveLend should remove any adverse information recorded on Miss T's credit file regarding the agreement.

*HM Revenue & Customs requires LiveLend to take off tax from this interest. LiveLend must give Miss T a certificate showing how much tax it's taken off if she asks for one.

My final decision

My final decision is that Chetwood Financial Limited trading as LiveLend should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 29 August 2024.

Jane Archer
Ombudsman