

Complaint

Mr M 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 M with a loan for £7,000.00 in May 2022. This loan had an APR of 26.7% and the total amount to be repaid of £10,873.14, which included interest fees and charges of £3,873.14, was due to be repaid in 47 monthly instalments of £226.53 followed by a final instalment of £226.23.

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

Mr M 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 M’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 M’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 M 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 M’s application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked Mr M’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 M had

some existing unsecured debts in the form of credit cards and a catalogue shopping account but this wasn't excessive in comparison to his income.

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

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

I've carefully thought about what Mr M 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 M said and that it took some steps to check at least some of the information he provided in his application.

Better Borrow searches appeared to show that Mr M's debt total at the time of the applications was also reasonable in comparison to what was declared as his income. And I can't see that he had any significant adverse information – such as default or County Court Judgments ("CCJ") recorded against him.

Furthermore, even if more needed to be done here, at the absolute most it could be argued that Better Borrow needed to obtain more on Mr M's actual living costs. But I don't think Better Borrow would have made a different decision even if it had asked Mr M for such information. I say this because I've not seen anything that shows me when Mr M's committed non-discretionary regular living expenses and existing credit commitments were deducted from what he received, he didn't have the funds to make the payments to this loan.

I accept that Mr M's actual circumstances at the time were worse than what the information about his committed living costs shows. And having seen Mr M's bank statements, I can clearly see why he might have had difficulties with his payments to this loan. I also acknowledge that if Better Borrow had gone into the depth of checks Mr M 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 truth is, given the circumstances here and what Better Borrow needed to find out, I don't think that reasonable and proportionate checks would have extended into obtaining bank statements – especially as bank statements weren't the only way that Better Borrow could find out about Mr M's committed living expenses in the first place. And they certainly wouldn't have gone into the level of granularity required to discover the extent of Mr M's additional spending.

In my view, delving into the detail of Mr M's statements in this way isn't commensurate with a proportionate check given the circumstances here. And most crucially I'm satisfied that Better Borrow taking further steps to find out more about Mr M's living expenses won't have led it to determine that the repayments for this loan were unaffordable for Mr M.

In reaching this conclusion, I've also considered whether the lending relationship between Better Borrow and Mr M might have been unfair to Mr M under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Better Borrow irresponsibly lent to Mr M or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything, I don't think that Better Borrow treated Mr M unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr M's complaint. I appreciate this is likely to be very disappointing for Mr M. 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 M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 September 2024.

Jeshen Narayanan
Ombudsman