DRN-5137756

## The complaint

Mr M complains APFIN LTD trading as cashasap.co.uk ("Apfin") provided him with a loan while he had credit card debt and four other outstanding loans.

## What happened

Mr M was granted one loan on 23 February 2024 for £400. Mr M was due to make six monthly payments – which decreased each month. The first payment was for £174.72 with the final payment due to be £82.54. As of September 2024, an outstanding balance remains due.

Apfin considered the complaint, and it didn't uphold it because it had carried out proportionate checks into Mr M's income, expenditure and carried out a credit search. The loan appeared affordable.

Unhappy with this response, Mr M referred his complaint to the Financial Ombudsman. The complaint was then considered by an investigator, who didn't uphold it. He said Apfin had reasonable grounds to believe Mr M could afford the loan and that it had carried out proportionate checks.

Mr M didn't agree saying due to the number of loans and small disposable income the loan ought not to have been granted. As no agreement has been reached, the case has been passed to an ombudsman for a final 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.

We've set out our general approach to complaints about this type of lending - including all the relevant rules, guidance and good industry practice - on our website.

Apfin had to assess the lending to check if Mr M could afford to pay back the amount he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Apfin's checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr M's income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Apfin should have done more to establish that any lending was sustainable for Mr M. These factors include:

- Mr M having a low income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- The amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Mr M having a large number of loans and/or having these loans over a long

period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr M coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Mr M. The investigator didn't consider this applied in Mr M's complaint because there was only one loan and I agree with this.

Apfin was required to establish whether Mr M could *sustainably* repay the loan – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr M was able to repay his loan sustainably. But it doesn't automatically follow that this is the case.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr M's complaint.

Before the loan was approved, Apfin asked Mr M for details of his income, which he declared as being £2,000 per month. As this was the first loan, and Mr M confirmed this figure to be accurate, Apfin didn't need to take any further steps to check the accuracy of this figure.

Mr M also declared monthly outgoings of £1,460 and this was broken down into a number of different categories such as rent, utilities and other credit / loan repayments. For a first loan, I think it was reasonable for Apfin to have relied on what Mr M told it about his income and expenditure.

After carrying out these checks, Mr M had sufficient disposable income to be able to afford the largest repayment of no more than £174.72 per month. The loan would've looked affordable.

However, before the loan was approved Apfin also carried out a credit search and it has provided a summary of the results it received from the credit reference agency. It is worth saying here that although Apfin carried out a credit search, there isn't a regulatory requirement to do one, let alone one to a specific standard. But what Apfin couldn't do is carry out a credit search and then not react to the information it received – if necessary.

Having reviewed the credit check results there isn't anything that would've indicated that Mr M was having current financial difficulties, for example it knew there were no insolvency markers, CCJs or any defaults recorded within the previous three years.

The headline figures were that Apfin knew that Mr M had seven active credit accounts and had opened three accounts within the last six months. The number of active accounts as, in my view wouldn't have indicated to Apfin that Mr M had any current financial problems.

It knew that Mr M had a credit card, hire purchase agreement, current account and three loan accounts. The loans, based on the credit report were costing Mr M £251 per month. And as part of his application, he declared his commitments were around £650 – and this seems about right, given the information Apfin discovered through its credit search.

I don't think the information Apfin received from the credit reference agency would've prompted Apfin to either carry out further checks or to have declined Mr M's application for credit.

Given the evidence provided, I think it was reasonable for Apfin to have relied on the information Mr M gave about his income and expenditure to show he had sufficient disposable income to afford the repayments he was committed to making. There also wasn't anything else to suggest that Mr M was having current financial difficulties or that the loan would be unsustainable for him.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Apfin lent irresponsibly to Mr M or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

An outstanding balance remains due and I would remind Apfin of its obligation to treat Mr M fairly and with forbearance.

**My final decision**

So, for the reasons I've explained above, I don't uphold 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 26 December 2024.

Robert Walker
**Ombudsman**