

## The complaint

Mrs G has complained that Chetwood Financial Limited trading as BetterBorrow ("BetterBorrow") lent to her at a time when she was in financial difficulties, and it would've known that had it carried out a credit check.

## What happened

Mrs G was advanced one loan of £10,000 in June 2022 after she applied for lending through a credit intermediary. If Mrs G repaid the loan in line with the credit agreement, she would've repaid a total of £14,795.84. This would be through 59 monthly repayments of £246.60 followed by a final payment of £246.44. The loan had an interest rate of 17.8%.

Following Mrs G's complaint BetterBorrow wrote to her and explained it wasn't going to uphold it because it had carried out proportionate checks which showed it that the repayments were affordable. Unhappy with this response, Mrs G referred the complaint to the Financial Ombudsman.

An investigator upheld Mrs G's complaint. She said BetterBorrow had information from a credit search which showed her monthly credit commitments were greater than the amount it used for its affordability assessment. And as such, had further checks been made, then BetterBorrow would've discovered that Mrs G's outgoings exceeded her income and so the loan wasn't affordable.

BetterBorrow didn't agree with the outcome and the investigator explained why these comments hadn't changed her mind. As no agreement could be reached the complaint was passed to me to decide. I then issued a provisional decision explaining the reasons why I was intending to not uphold Mrs G's complaint. Both parties were asked to provide any further submissions as soon as possible, but no later than 28 November 2024.

BetterBorrow confirmed it had no further points to and Mrs G didn't agree with the provisional decision, saying;

- Mrs G's active credit card accounts had been close to their credit limits and the utilisation of loans over a long period of time suggested this loan was unsustainable.
- The disposable income which Mrs G actually had was more in line with what the investigator discovered. Mrs G then provided a breakdown of her living costs at the time – which came to £1,144 which excluded car insurance, tax, fuel and food.
- BetterBorrow hasn't used a fair or reasonable amount to cover her living costs and her mortgage cost per month was more than the figure used by BetterBorrow.
- Mrs G had taken a loan in May 2022 that she used to pay off a lot of existing debt for both herself and partner.
- Mrs G says the loan was taken partly for debt consolidation and partly for home improvements
- Mrs G provided a breakdown of what her credit commitments were after the loan had been granted which came to nearly £500 per month.

- Mrs G drew my attention to the Financial Ombudsman's website in particular the section about unaffordable lending. As her credit cards that were near their credit limits as well as loans and credit card that were being refinanced this ought to have led to better checks.

A copy of the provisional findings follows this and forms part of this final decision.

### **What I said in my provisional decision:**

*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 unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. And I've used this approach to help me decide Mrs G's complaint. Having carefully considered everything I'm intending to not uphold Mrs G's complaint. I'll explain why in a little more detail.*

*BetterBorrow needed to make sure it didn't lend irresponsibly. In practice, what this means it needed to carry out proportionate checks to be able to understand whether Mrs G could afford to repay any credit it provided.*

*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 checks to be less thorough – in terms of how much information is gathered and what is done to verify it – in the early stages of a lending relationship.*

*But we might think more needed to be done 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 firm to be able to show that it didn't continue to facilitate a customer's loans irresponsibly.*

*I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mrs G's complaint. Having looked at everything I have decided to not uphold Mrs G's complaint about loan two and I've explained why below. Mrs G declared she worked part time and earned £1,762 per month. BetterBorrow then went about cross referencing this information through a tool provided by a credit reference agency. The result of this check gave BetterBorrow confidence that the amount she had declared was accurate and so it was correct for it to use this figure for its affordability assessment.*

*As part of the application, Mrs G declared she had housing costs of £154 per month. BetterBorrow also used ONS data and it added a further £660 to cover Mrs G's other living costs. This led BetterBorrow to conclude that Mrs G's monthly living costs came to £754 per month.*

*BetterBorrow, also carried out a credit search and it has provided a summary of the results it received from the credit reference agency. I want to add that although BetterBorrow carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard. This can and does mean information which is given to a lender may be different to what a consumer can see by reviewing their own report. But what BetterBorrow needed to do was consider the results it received.*

*BetterBorrow says the credit check results showed that Mrs G had a number of active credit accounts including a mortgage, three loans and eight credit cards. Mrs G owed £13,563 to her unsecured creditors. It was told that Mrs G's existing monthly credit commitments came to £497.*

*However, as part of its affordability assessment it appears to have used a figure of £463 – it isn't entirely clear where this figure came from. The investigator did ask BetterBorrow about this but the answer wasn't as clear as it could've been – and this is partly why I can see why we said more checks were needed. Although BetterBorrow did provide a fuller explanation in response to the assessment.*

*But nonetheless, whether it used the £463 for its affordability calculation or the amount it was told about from the credit reference agency the results are the same – the loan appeared affordable.*

*BetterBorrow was also told that Mrs G was using around 35% of her total credit card balances at the time, and this figure had reduced over the last 12 months. BetterBorrow was also told Ms G hadn't used any payday loans and there was no adverse payment information such as defaults or any other types of insolvency.*

*The results of the credit search wouldn't in my view have led to BetterBorrow to either decline Mrs G's credit application or have prompted it to carry out further checks.*

*The investigator said that further checks were needed before this loan was granted due to the discrepancies in the credit commitment details. But I disagree, while BetterBorrow may have used the incorrect figure for its affordability assessment, had it used the correct figure it would've discovered that Mrs G – after making her loan repayment would've been left with around £199 per month in disposable income.*

*It also isn't the case that BetterBorrow were lending funds to Mrs G and allowing her to get further into debt. In fact, it would've been reasonable of Better Borrow to believe that the loan would go towards repaying her other debts – for example some of her credit cards and / or the existing loan and a combination of other debts. Indeed, it was entirely foreseeable that the £497 monthly credit commitments would decrease.*

*Overall, BetterBorrow validated Mrs G's income and made a reasonable estimation of her monthly outgoings using a well-known and established approach. The credit file data also wouldn't have given it any cause for concern because the results showed she was managing her existing debts well.*

*That information coupled with the purpose of the loan – debt consolidation means that I don't think there was any indication in the results that would've led BetterBorrow to have asked for further information – such as bank statements and so it wouldn't and couldn't have known from the results of its checks that Mrs G was spending more than her income each month – as the investigator calculated.*

*For a first loan, it was entitled to rely on the information it had been provided with from both the check results and Mrs G which suggested the loan was affordable for her. I am therefore intending to not uphold Mrs G's complaint.*

*An outstanding balance likely remains due and I would remind BetterBorrow of its obligation to treat Mrs G fairly and with forbearance with regards to the repayment of the loan.*

### **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've considered what Mrs G has provided in response to the provisional decision, but taking on board what she's said and what BetterBorrow did before it advanced the loan. I am still of the view that it carried out proportionate checks which demonstrated the loan was likely to be affordable for Mrs G. I've provided some further comments below, in response to Mrs G's comments to the provisional decision.

I thank Mrs G for clarifying what she did with the loan funds from BetterBorrow. She's explained some of the loan did go towards repaying a loan and towards a credit card balance. And of course, by doing so she'd be reducing her credit commitments moving forward.

I hadn't been previously aware that some of the funds would go towards renovations work, but that still wouldn't changed the outcome that I've reached, even if I had known that when drafting the provisional decision. Because ultimately, I am still satisfied the checks carried out were proportionate and showed the loan to be affordable.

As part of the affordability assessment, some of the living costs that BetterBorrow used came from statistical data. This is fairly common within the industry and in line with the rules and regulations in force at the time. While Mrs G has said that her mortgage was more than the costs used by BetterBorrow, I've also looked at the data provided as part of her application.

I appreciate Mrs G says that her actual monthly costs were greater than what BetterBorrow believed, but it would've only known that had it asked to see or review her bank statements and in the circumstances of the complaint I don't think it was unreasonable for BetterBorrow to have relied on the statistical data it was provided with. For a first loan where the checks didn't raise any concerns about the loan's affordability, it wouldn't have been proportionate for BetterBorrow to obtain or review her bank statements – in my view that would've been disproportionate.

Mrs G declared her housing costs were £154 per month which is half of the cost of the mortgage that BetterBorrow discovered from its credit search – where it was told that Mrs G's mortgage cost £308 per month. BetterBorrow was also entitled to believe that this was Mrs G's monthly mortgage cost as it didn't have anything else to suggest that it wasn't accurate. It therefore wasn't unreasonable for BetterBorrow to have relied on the figure given to it by Mrs G for its affordability assessment.

I understand from Mrs G that her mortgage cost may have been larger than the credit file suggested, and this was a result of taking a further advance from her mortgage company in the month before the loan was advanced. But that information wasn't reflected in the credit search results which BetterBorrow received – which as I've said showed a mortgage repayment of £308 per month.

There also wasn't a requirement of BetterBorrow to carry out a credit search, let alone one to a specific standard, but what it couldn't do is carry out a search and then, if needed not react to the information that it received. This also means that the information BetterBorrow may have received may not contain all of the information Mrs G maybe able to see in her own credit file.

The credit search results provided by BetterBorrow suggest it wasn't aware that Mrs G had been utilising all of the credit card balances and or had been up near their limits for some time.

Indeed, at the time the loan was granted, the results showed BetterBorrow that Mrs G owed credit card companies £2,429 against a maximum available credit limit of £6,000. Over the last year the maximum credit card utilisation Mrs G had was 79% but the information given to BetterBorrow showed that the utilisation had been dropping over the course of the last six months.

And while Mrs G has pointed me to our website and what that may mean for her loan, it doesn't look like from the information supplied in the credit check results that BetterBorrow

was aware of exactly how close to the limit she was (and for how long) on some of her credit cards nor that she'd taken refinance loans or refinanced other borrowing.

Overall, in my view, BetterBorrow was entitled to rely on the information Mrs G declared, as well as the information it gathered from her credit file. It also didn't have anything to suggest that it was unreasonable for it to not use the statistical data it obtained. I am therefore unable to uphold Mrs G's complaint.

Finally, 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 BetterBorrow lent irresponsibly to Mrs G or otherwise treated her 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.

### **My final decision**

For the reasons I've explained above and in the provisional decision, I'm not upholding Mrs G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 3 January 2025.

Robert Walker  
**Ombudsman**