

## **The complaint**

Mrs S complained that Fintern Ltd, trading as Abound Loans ("Fintern") irresponsibly granted her a loan, in May 2023, that she couldn't afford to repay.

## **What happened**

Mrs S took out the loan of £9,276.86, over a term of 61 months, in May 2023. Part of this was to repay an earlier loan for debt consolidation, taken in September 2022, with a top up of £1,500, also for debt consolidation. The monthly repayment on the May 2023 loan is £259.00 and the APR is 25%.

For the avoidance of doubt this complaint only relates to the loan granted in May 2023.

Mrs S doesn't think Fintern carried out reasonable and proportionate checks before granting the loan – she says she was unemployed at the time, and in poor mental health. She doesn't think the loan should've been approved, and says the repayments are unaffordable. Mrs S has also told us that she has been trying to pay off any extra that she can, which means she has taken out other borrowing and cut back on essential spending.

Mrs S would like Fintern to write off the loan and remove any negative information on her credit report.

Mrs S complained to Fintern about all this. Fintern said it had carried out the appropriate checks before granting the loan, and it told Mrs S that it did not uphold her complaint.

Mrs S then brought her complaint to this service. Our investigator looked into it but didn't think it should be upheld. Mrs S didn't agree, and asked for it to be reviewed by an ombudsman.

I issued a provisional decision in August 2024, in which I explained why I thought that Mrs S's complaint should be upheld. Mrs S said she had nothing further to add. Fintern didn't agree with my conclusions, and it sent in more information about its loan approval process. Because of this new evidence, I issued a second provisional decision in November 2024. In this, I explained that, after considering Fintern's new submissions, I still proposed to uphold Mrs S's complaint.

Mrs S responded to say that she agreed with my conclusions but that she felt pressured by Fintern in relation to making the payments on the loan. Fintern said that it disagreed with a number of points, but didn't say what these were other than querying the provision of documents. It did not provide any new evidence or information.

## **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 approach to considering complaints about unaffordable and irresponsible lending is set out on our website, and I've taken this into account here.

I've decided to uphold Mrs S's complaint. I'll explain why.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks required of a lender, but it needs to ensure the checks are proportionate when considering matters such as the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances. So I've considered whether Fintern completed reasonable and proportionate checks to satisfy itself that Mrs S would be able to make the repayments on the loan in a sustainable way.

I set out my reasoning in my first provisional decision as follows:

*"Mrs S sent in copies of bank statements for the months leading up to the loan, along with screenshots from her credit record and a further screenshot of her HMRC employment record for 2023. Fintern sent in a copy of its final response letter to Mrs S, along with a statement showing the transactions on the account, the monthly payment, and the term of the loan. Despite several requests, it did not send in a copy of the loan agreement or full details of the checks it carried out before granting the loan.*

*Mrs S said she applied for the loan online and didn't have to enter her income details as they were on file from the first loan. In terms of her employment, Mrs S said that her poor mental health had led to her leaving her previous job in February 2023, after which she took on a temporary contract for around six weeks, ending in May 2023. Her net earnings for this short contract were just over £1,000. This is consistent with what's on the screenshot of Mrs S's HMRC record, which shows that this employment ended on 19 May 2023 and that Mrs S was then receiving state benefits (other than a small payment for what looks like a short contract later that year). It's also consistent with the entries on her bank statement.*

*Mrs S also mentioned a payment from a travel company of just over £4,300 into her bank account on 10 May 2023 – just before she took out the loan with Fintern. She said this was a refund of the cost of a holiday, which she had cancelled due to her financial issues.*

*Looking at the information that Fintern sent in, there was some information about its checks in its final response letter to Mrs S.*

*Fintern said that when Mrs S applied for the loan, she was prompted with a screen asking her to input how much she was earning after tax. The figure calculated based on the input was £28,900 or £2,408 per month. I should say here that this contradicts Mrs S's account of events, but Fintern did not provide screen shots or other information to demonstrate how this would've been presented to Mrs S. However, it does not affect my conclusions as set out below.*

*Fintern also said that it collected open banking data at this stage, which showed £2,918 per month and a yearly salary of £35,015, and it had also been able to evidence monthly support from another party which further contributed to her financial stability. It went on to say that, although there was a temporary gap in earnings in her transaction data, the entry of these figures led it to believe that Mrs S had switched jobs rather than being unemployed, and that it considered that the substantial increase of income with the first month of her new salary could have been due to that pay period being longer due to the job transition.*

*Fintern went on to say that verification of income was not required for a top-up application, as reconnecting open banking allowed it to assess changes in income and expenditure at*

*that point against the original loan application. It also said that its underwriting team at the time noted that no new loans or lines of credit had been taken since the original loan was granted.*

*However, in that letter, Fintern also accepted that it had mistaken the travel company credit for a salary payment, leading to its assumption that Mrs S had changed jobs.*

*Having looked at all of the evidence provided, I'm not satisfied that Fintern carried out reasonable and proportionate checks before granting the new loan. I say this for the reasons set out below.*

*From what's on the screenshots taken from Mrs S's credit record, I can see that, after taking out the first loan in September 2022 with Fintern, she took out another loan with a different lender in January 2023, the amount being £4,600. That same month, she took out a new credit card with a limit of £2,800, although I don't have information on the balance outstanding in May 2023. There are also seven 'hard' searches shown during the period between Mrs S taking out the first and second loans with Fintern. One of these related to the loan she took in January 2023, but the others were registered by different lenders.*

*This information contradicts Fintern's comment that no new loans or lines of credit were taken after the original loan, but I can see no reason for the details not to have been shown on any credit reference checks that it carried out at the time of the second loan application.*

*I think the increase in Mrs S's borrowing over a relatively short period, and the registration of the additional searches, suggest an increasing reliance on credit, and ought reasonably to have prompted Fintern to make further enquiries before granting the second loan in May 2023.*

*I accept Fintern had access to Mrs S's bank account transactions through open banking (although Mrs S has said that she had more than one account, so I can't say whether Fintern saw other account details), but I think it could reasonably have sought confirmation of her income and outgoings, rather than, for example, relying on an assumption that she had changed jobs.*

*Fintern also said it had evidenced support from another party – Mrs S's partner – and I accept that there were a number of payments into her account in this respect. But Mrs S's partner was not party to the loan and Fintern had no reason to hold information about his commitments, so, in the absence of further information from Fintern, it's difficult to see how this was confirmed as support for Mrs S rather than contributions to household expenses.*

*Had Fintern made further enquiries about Mrs S's circumstances, I think it would've been able to establish that Mrs S had ended her contract and was unemployed, and therefore she would not have been able to make the loan repayments on a sustainable basis. So I don't think Fintern acted fairly in granting this loan to Mrs S. As a result, I'm proposing to uphold Mrs S's complaint."*

Following my first provisional decision, Fintern sent in further information. It provided a copy of Mrs S's loan agreement, and further details of its checks. I considered these in my second provisional decision as follows:

*"It said that the credit card taken out in January 2023 had no outstanding balance as at May 2023. In relation to the loan from another lender that Mrs S took out in January 2023, Fintern said that the account was not added to her credit file until March 2023, and the balance showed as nil in May 2023. It thought that the loan was a type of flexible lending*

arrangement and said its records showed that Mrs S had withdrawn around £4,351 after its loan was granted - so the loan would not have been taken into consideration.

Fintern further said that Mrs S stated her income as £28,900, however its open banking information showed £44,997. Fintern took into account an income of £35,000.

Fintern also referenced some spending patterns, saying that Mrs S had purchased entertainment-related tickets two months before applying for our loan, and in the months leading up to her application she spent over £1,000 on clothing and home accessories.

Fintern further said that no payments have been missed on any of Mrs S's accounts since the loan was granted. Having said that, Mrs S had told us that she has been issued with a letter of default. I would remind Fintern of the requirement to treat consumers in financial difficulty with forbearance and due consideration, as set out in Financial Conduct Authority rules.

Fintern also said that Mrs S had asked to lower her repayments on the previous loan in January 2023 but had confirmed she was not struggling financially. It said she would have known at that stage that her employment was ending but chose not to share that. When it completed its repayment change review it could evidence that financial difficulty was not present and Mrs S's financial situation remained the same (and had actually slightly improved). She confirmed that she intended to overpay and went on to make additional payments in February and March 2023.

I have carefully considered all of these points. I noted in my earlier provisional decision that I had no information about the balance on the credit card taken in January 2023, so I accept that it may not have been used. With regard to the loan, this service has information about the nature of that loan, and I have seen evidence that it was not a flexible lending arrangement, and the terms of the loan were that the full amount would be paid to Mrs S once the agreement was signed. I also noted in my provisional decision that Mrs S had sent in screenshots showing extracts from her credit record. The relevant screenshot also shows the balance as £4,351 as at May 2023, but that this had reduced over time. The balance is also consistent with the full amount having been paid out in January 2023, and the required monthly payments made. I cannot say why this did not appear in the credit reference information that Fintern said it used.

Turning to Mrs S's income, Fintern hasn't said in its recent submissions what it considered in adjusting the figure from £44,997 to £35,000. But Fintern has previously accepted that it had mistaken the holiday cancellation payment of just over £4,300 into Mrs S's bank account for a salary payment, leading to its assumption that Mrs S had changed jobs. I should also say here that Fintern also asked if we had seen confirmation that the payment did indeed relate to the cancellation of a holiday. Mrs S has provided such confirmation.

With regard to Mrs S's spending patterns, as I noted in my earlier provisional decision Fintern has previously said that it had evidenced support from another party – Mrs S's partner. But as I also noted, Mrs S's partner was not party to the loan and Fintern had no reason to hold information about his commitments, so I don't consider that I can fairly draw conclusions about who was funding these particular areas of spending.

Having carefully considered all of these points, I'm not satisfied that they are enough to change my conclusions as set out in my provisional decision.

I say this because, given that Mrs S had taken out new lines of credit since Fintern granted the first loan, and had had seven 'hard' searches registered on her credit record in that period – some eight months - I remain of the view that Fintern ought reasonably to have

*been prompted to make further enquiries before granting the second loan. Fintern's recent comments about Mrs S asking to reduce her loan payments in January 2023 add to that view, although I accept that it said it reviewed her financial position at that point (but it didn't specify how it had done that).*

*Fintern said that Mrs S had not disclosed her employment situation or financial struggles. I accept that it would have been helpful for her to have done so. But equally I note that Mrs S has mentioned health issues, and in particular mental health issues, and it's possible these affected how she dealt with her situation. But in any case, the onus was on Fintern to make reasonable and proportionate enquiries before granting the credit, and for the reasons I've explained, I don't think it did.*

*And as I explained in my earlier provisional decision, had Fintern made further enquiries about Mrs S's circumstances, I think it would've been able to establish her employment situation – that is that Mrs S had ended a short-term contract after previously leaving full time employment. So she was unemployed, and therefore I don't consider she would've been able to make the loan repayments on a sustainable basis. So I don't think Fintern acted fairly in granting this loan to Mrs S. As a result, I'm still proposing to uphold Mrs S's complaint.*

*Fintern also questioned the basis of the proposed redress, saying its understanding was that the calculation would be based on the top-up borrowing rather than the whole loan. For the avoidance of doubt, I have considered the loan granted in May 2023 in this decision, and the redress set out below is based on the full amount of that borrowing, that is, £9,276.86. This was the amount of credit that Fintern provided in May 2023, using part of this to repay the previous loan which was then closed."*

As I noted above, Mrs S responded to my second provisional decision to say that she felt pressured by Fintern in relation to the payments due on the loan. As Fintern has not had the opportunity to respond to this, I cannot make a finding in this decision. But again I would remind Fintern of the requirement to treat consumers in financial difficulty with forbearance and due consideration, as set out in Financial Conduct Authority rules.

I also noted above that, although Fintern said it disagreed with a number of points, it did not provide any detail other than querying the provision of documents and the point at which they were provided. I set out in my provisional decisions the information that was provided at each point.

As no new evidence or information has been provided, I have no reason to change my conclusions as set out in my provisional decisions. Therefore I uphold Mrs S's complaint.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have set out below results in fair compensation for Mrs S in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

### **Putting things right**

I think it's fair and reasonable for Mrs S to repay the capital that she borrowed in May 2023 because she has had the benefit of that money. But she has paid interest and charges on a loan that shouldn't have been provided to her. Fintern should put this right.

It should:

- remove all interest, fees and charges applied to this loan from the outset. The

payments Mrs S has made should be deducted from the new starting balance – the £9,276.86 originally lent. If, once all adjustments have been made, this shows that Mrs S has made overpayments leading to a credit balance, these overpayments should be refunded to Mrs S, together with interest at 8% simple a year\* from the date they were made to the date of settlement.

- if, once all adjustments have been made, this shows that Mrs S still has an outstanding amount to repay, Fintern should contact Mrs S to arrange a suitable repayment plan.
- Once the capital has been repaid, Fintern should remove any adverse information (if any), recorded on Mrs S's credit file in relation to the loan.

\*HM Revenue & Customs requires Fintern to deduct tax from any award of interest. It must give Mrs S a certificate showing how much tax has been taken off if she asks for one.

### **My final decision**

For the reasons set out above, I have decided to uphold Mrs S's complaint, and to require Fintern Ltd to compensate Mrs S as described above.

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

Jan Ferrari  
**Ombudsman**