DRN-5200926

The complaint

Ms F complains that FUND OURSELVES LIMITED ("FOL") lent to her irresponsibly by approving loans for her when she could not afford it. Ms F says that FOL failed to carry out proper checks before lending.

What happened

Ms F took two loans from FOL. This table gives brief details.

Loan	Date approved	Amount	Payment terms	Total to pay	Status
1	16 September 2022	£499	4 x £225.55	£902.19	Paid on time
2	4 April 2023	£1,000	5 x £400	£2,000	£1,200 paid

Loan 2 defaulted 5 September 2023. After Ms F had complained, FOL responded with its final response letter in which it explained why it considered the checks it had carried out were as required. It did not uphold Ms F's complaint but as a good will gesture it offered to reduce the interest due on loan 2 leaving Ms F with £300 to pay. This offer was due to expire 1 March 2024. So I say no more about this offer.

Ms F referred her complaint to the Financial Ombudsman Service.

One of our investigators considered the complaint and did not think that FOL needed to put anything right for Ms F. She disagreed and the complaint was passed to me to decide.

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 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.

FOL had to assess the lending to check if Ms F could afford to pay back the amounts she'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. FOL's checks could have considered several different things, such as how much was being lent, the size of the repayments, and Ms F's income and expenditure.

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

- Ms F 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);
- Ms F having many loans and/or having these loans over a lengthy period (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Ms F 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 Ms F. But I do not consider that this applies here as Ms F took only two loans.

FOL was required to establish whether Ms F could sustainably repay the loans – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Ms F was able to repay her loans sustainably. But it doesn't automatically follow that this is the case.

When Ms F applied for both loans she indicated to FOL that her monthly income was £3,500 and it used a credit reference agency verification system to check that this income, as declared, matched, within a reasonable margin, the amount Ms F received. For both loans the income confidence factor was returned to indicate that Ms F had stated her income accurately. This is an industry wide recognised practice and I do not consider that FOL needed to do more to verify her income.

Ms F has made mention of FOL having used 'bi-monthly' and getting her income wrong. But that's not the way I have interpreted it and both our investigator and I have used her income as £3,500 each month when assessing affordability for Ms F.

Ms F raised an issue surrounding her place of work. This was checked with FOL. It sent a screenshot showing her place of work had been entered as mentioned in our investigator's view letter in October 2024. I do not refer to it for privacy reasons. FOL told us:

> '*All loan applications are completed by the customer online, there is no interaction with Fund Ourselves at all, until the loan application is approved. We can confirm that* [Ms F] *applied for the loan through a lead generator, not directly through the Fund Ourselves website so an error with her employment may have occurred there.'*

I don't consider that this mistake, if it was a mistake, would have had any bearing on FOL's decision making at the time Ms F applied for the loans.

Loan 1

For Loan 1, Ms F declared her outgoings as £380 for leisure, £750 for rent, £200 for utility bills, £0 for debt commitment costs and £0 for food and drinks. These added up to £1,330. Ms F said she was employed, single and had one dependant. Ms F told FOL that the loan was for unforeseen costs.

FOL carried out a credit search before each loan. I have reviewed the credit report it obtained at the time for Loan 1. It discovered that Ms F had no insolvency markers, and no County Court Judgments (CCJs). Ms F had nine active accounts, her total outstanding balances came to £16,782 of which £3,953 was revolving credit (credit cards and similar accounts) and she had used 97% of the limits she had on that sort of credit.

Ms F had carried out one credit search in the previous 12 months. She'd opened one new account in the previous six months. Within the last 36 months her worst pay status on an account had been '3' which indicates three months late paying. Looking through the credit report FOL had obtained it looks to have been a loan where she had been in arrears in 2019 and early 2020 but that loan had now closed fully paid and with no further issues.

I have not listed all of Ms F's credit accounts but here I have pointed out a few to demonstrate that I have reviewed the report carefully. An earlier loan had been opened June 2022 for £3,300. It was due to be £150 a month for 24 months. There were no issues on the payment history for that loan. Ms F was slightly over the limit on one credit card (£14).

Ms F had taken a loan for £7,850 in February 2022 for which she was scheduled to pay £178 a month over 60 months. She was up to date with those payments.

So, my view is that factoring into Ms F's outgoings figures of £1,330, the loan and credit card repayments, still she'd be able to afford the FOL loan for four months at £225 each month. I consider that FOL carried out checks that were proportionate to the loan, it was a short-term loan and it was the first application from Ms F. I do not uphold the complaint for loan 1.

Loan 2

In April 2023, several months after repaying loan 1, Ms F reapplied to FOL for a larger loan. Ms F had repaid the four instalments for Loan 1 on time. A good repayment history is an element that any lender looks at when assessing a new application and so FOL would have seen this good repayment history for Loan 1.

I've already outlined what FOL did in relation to Ms F's declared income for loan 2 earlier in this decision. It appears that Ms F's declared outgoings were the same as given for Loan 1.

FOL carried out a credit search and I have reviewed the report it obtained at the time. For Loan 2 it discovered that Ms F had no insolvency markers and no CCJs. Ms F had 18 active accounts, her total outstanding balances came to £20,788 of which £4,022 was revolving credit (credit cards and similar accounts) and she had used 99% of the limits she had on that sort of credit. So, Ms F's overall debt had increased in a relatively short time since her Loan 1 application.

And the credit report informed FOL that Ms F had opened 20 accounts in six months. That seems a lot but on closer inspection several of these had been marked as 'DP' which point to them being 'deferred payment' accounts and were for small sums of around £18 or £26. These are in the genre of 'buy now pay later' purchases. So, having gone into the detail on this credit report I do not consider that these new accounts would have alerted FOL to Ms F having a problem with her finances.

After Loan 1 Ms F had taken three modest sized loans in October 2022, two of which had closed, and one was still open and costing her £25 a month. Ms F had taken a loan which had an opening balance of around £4,848 which was due to run for 24 months at £202 a month. It had an outstanding balance of £4,646.

There were no adverse entries on the credit report such as arrears or late payments.

Ms F has told us that FOL ought to have seen that she had defaulted utility accounts – but no defaults appear on the credit reports FOL obtained before lending. I would not expect FOL to have known of something that does not appear on the reports which were obtained at the relevant times. They show that in the previous 36 months Ms F had no defaults recorded. There's no evidence that Ms F informed FOL of any defaults before making the lending decisions.

Having considered all that both parties have said and sent to me, my decision is that FOL carried out proportionate checks for Loan 2 and I do not uphold Ms F's complaint about it.

I've also considered whether FOL acted unfairly or unreasonably in any other way and I have 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 it lent irresponsibly to Ms F 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

My decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 14 February 2025.

Rachael Williams
Ombudsman