DRN-5222140

The complaint

Mr H says Chetwood Financial Limited, trading as LiveLend, irresponsibly lent to him.

What happened

Mr H took out a loan from LiveLend for £10,000 over 60 months on 10 February 2020. The monthly repayments were £261.90 and the total repayable was £15,714.04. He settled the loan in full early in February 2022.

Mr H says he selected this loan because the interest rate would reduce over time but he now realises it was never affordable. And the interest rate never reduced despite him making repayments on time. He already had significant credit card debt and was persistently overdrawn. He had just left his full-time job due to stress, and was not asked if his income or expenses had changed. Nor was he asked for bank statements to check that the repayments were affordable.

LiveLend says it completed adequate checks that showed the loan was affordable for Mr H. He did not qualify for any interest rate reductions based on the criteria set out in the terms of his loan agreement.

Our investigator did not uphold Mr H's complaint. He said LiveLend completed proportionate checks that showed Mr H could afford to sustainably repay the loan. And the lack of an interest rate reduction was in line with the terms Mr H agreed to.

Mr H disagreed with this assessment and asked for an ombudsman's review. He said a disposable income of £589.10 was insufficient to cover all of his regular repayments and cost of living expenses while living in London. He also asked how this figure had been calculated – our investigator responded to this query.

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 unaffordable/irresponsible lending - including all the relevant rules, guidance, and good industry practice - on our website.

I think the questions I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are:

- Did LiveLend complete reasonable and proportionate checks to satisfy itself that Mr H would be able to repay the loan in a sustainable way?
- If not, would those checks have shown that Mr H would have been able to do so?
- If so, did LiveLend make fair lending decision?
- Did LiveLend act unfairly towards Mr H in some other way?

The rules and regulations in place required LiveLend to carry out a reasonable and proportionate assessment of Mr H's ability to make the repayments under the agreement. This assessment is sometimes referred to as an affordability assessment or affordability check.

The checks had to be borrower-focused – so LiveLend had to think about whether repaying the loans would be sustainable. In practice this meant that LiveLend had to ensure that making the repayments on the loans wouldn't cause Mr H undue difficulty or significant adverse consequences. That means he should have been able to meet repayments out of normal income without having to borrow to meet the repayments, without failing to make any other payments he had a contractual or statutory obligation to make and without the repayments having a significant adverse impact on his financial situation.
In other words, it wasn't enough for LiveLend to simply think about the likelihood of it getting its money back - it had to consider the impact of the loan repayments on Mr H.

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 it didn't continue to provide loans to a customer irresponsibly.

I have reviewed the checks that LiveLend carried out prior to lending to Mr H. It asked about his income, his living and housing costs and his employment status. It checked his declared income using an external verification tool that reviews current account turnover over the last six and 12 months. It checked his declared living costs against external data and used the higher figure. It carried out a credit check to understand his credit history and existing credit commitments. From these checks combined, it concluded Mr H could afford the loan.

As LiveLend asked Mr H about his income and expenditure and also carried out a credit check and other electronic checks on his income, it's clear that this wasn't a case of LiveLend failing to carry out any checks at all before lending. In fact, it seems to me that LiveLend obtained a reasonable amount of information before it decided to proceed with Mr H's application, I say this as it was his first loan with LiveLend and the monthly repayment was less than 8% of his net monthly income. And I think LiveLend made a fair lending decision based on the information it gathered. I'll explain why.

Mr H declared a monthly net income of £3,522 which LiveLend was able to verify, and housing/living costs of £1,800. Mr H says he had just left a full-time job due to stress and he was not asked if his income had changed. But he signed a declaration to confirm that he was not aware of any potential changes in his circumstances that could affect his ability to make the payments in the future. So I cannot find LiveLend at fault in this regard.

Having looked at the credit check, it's clear Mr H had some existing debts. His existing monthly credit commitments were £871 and he had £26,045 of unsecured debt. I accept Mr H might not agree with this, but I don't think this was excessive in comparison to his income, or problematic for him at the time. This is particularly as the lender's credit check showed that Mr H was up-to-date on all his active accounts and at that time had no defaults or significant adverse data on his file. He wasn't over limit on any of his credit card accounts and his credit utilisation had not been over 50% in the previous 12 months.

Mr H says he was in financial difficulties at the time and was persistently reliant on his overdraft facility, and LiveLend would have seen this had it asked for bank statements. But a lender is not obliged to review bank statements, and I don't think that reasonable and proportionate checks for this application needed to extend to asking for bank statements.

In the round, this meant LiveLend understood Mr H would have monthly disposable income of £589.10 after he took on the loan. So he could afford to do so. Mr H argues that was not enough to cover all of his regular repayments and cost of living expenses while living in London. But the affordability assessment took into account both his living costs and non-discretionary regular repayments. The regulatory guidance does not require a lender to consider an applicant's discretionary costs.

It follows I have not seen any evidence to allow me to fairly conclude LiveLend was wrong to give the loan to Mr H. To be clear, I am not challenging his testimony that he was already under financial strain at this time, just that it would not have been proportionate in the circumstances of this application for LiveLend to carry out the level of financial review necessary to discover this.

Did LiveLend treat Mr H unfairly in some other way?

Mr H says he did not benefit from the interest rate reduction that he expected. But the terms of the loan agreement make clear that this would only be applied if a pre-defined improvement in his credit score was achieved and Mr H never met that criteria.

Finally, I've also considered whether the relationship might have been unfair under Section140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think LiveLend lent irresponsibly to Mr H 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.

My final decision

I am not upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 5 February 2025.

Rebecca Connelley
Ombudsman