DRN-5299249

The complaint

Miss H, through a representative, says Chetwood Financial Limited, trading as LiveLend, irresponsibly lent to her.

What happened

Miss H took out a loan from LiveLend for £7,000 over 48 months on 12 July 2020. The monthly repayments were £186.39 and the total repayable was £8,946.97. She settled the loan in full early.

Miss H says LiveLend failed to conduct proportionate checks and should have done more prior to providing the loan to her. LiveLend says it completed adequate checks that showed the loan was affordable for Miss H.

Our investigator did not uphold Miss H's complaint. He said LiveLend completed proportionate checks that showed Miss H could afford to sustainably repay the loan.

Miss H disagreed with this assessment and asked for an ombudsman's review. She said LiveLend's checks were not proportionate given how much debt she already had. And, specifically, the results of the income check it carried out were wrong.

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

The rules and regulations in place required LiveLend to carry out a reasonable and proportionate assessment of Miss 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 loan wouldn't cause Miss H undue difficulty or significant adverse consequences. That means she 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 she had a contractual or statutory obligation to make and without the repayments having a significant adverse impact on her 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 Miss 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 Miss H. It asked about her income, her living and housing costs and her employment status. It checked her declared income using an external verification tool that reviews current account turnover over the last six and 12 months. It carried out a credit check to understand her credit history and existing credit commitments. From these checks combined, it concluded Miss H could afford the loan.

I think these checks were proportionate given the term and value of the loan, the stage in the lending relationship and the monthly repayment relative to Miss H's income. And I think LiveLend made a fair lending decision based on the information it gathered. I'll explain why.

Miss H declared a net monthly income of £4,650. LiveLend verified this using an external tool (CATO) which looks at the average current account turnover over the last six and 12 months. I appreciate bank statements from the three months prior show Miss H's income was lower but I do not think there was any reason for LiveLend to ask for statements or payslips given the result of its check. Her housing costs were £595 and her existing credit commitments £1209. This meant after taking on this loan Miss H would have £2,655 income remaining to cover her living costs and discretionary spend. So I think it was reasonable for LiveLend to conclude the loan was affordable on a pounds and pence basis.

LiveLend also needed to consider if Miss H could repay the loan sustainably. She argues she was already over-indebted. I can see LiveLend's credit check showed she had £35,228 of unsecured debt at the time, so around 45% of her income. She was up-to-date on all her accounts, and not over limit on any of her cards. Her credit utilisation was around 75%. There was no adverse data on her file, such as CCJs or defaults. She was not using payday loans. So in the round, whilst I can see Miss H was using a number of credit products, it seems she was managing the facilities well and there was no evidence she was under financial strain. She had available credit she was not using suggesting she wasn't overly reliant on credit. And whilst she had opened two new accounts in the three months before, these were closed lines of retail credit of less than £500.

So in the round I think LiveLend made a fair lending decision.

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 Miss H 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

I am not upholding Miss H’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss H to accept or reject my decision before 24 March 2025.

Rebecca Connelley
Ombudsman