

The complaint

Mr H complains through a representative that FUND OURSELVES LIMITED ("Fund Ourselves") gave him loans without carrying out sufficient affordability checks.

What happened

Mr H was granted two loans by Fund Ourselves, a summary of his borrowing is below.

1. £140 loan granted on 24 June 2022 and Mr H was due to make four monthly repayments of £65.52. The loan was repaid on 14 October 2022.
2. £250 loan granted on 9 November 2022. Mr H was due to make four monthly repayments of £122.50. Mr H had problems repaying this loan and it was settled later than planned in June 2023.

Following Mr H's complaint Fund Ourselves explained why it wasn't going to uphold the complaint because the checks it conducted showed the loans to be affordable. The complaint was then referred to the Financial Ombudsman.

The case was then considered by an investigator, and she didn't think Mr H's complaint about the loans should be upheld even though it hadn't fully considered the credit check results. Mr H's representative disagreed and it commented;

- Whether Fund Ourselves was aware of the dates of the other defaults – apart from the one that was recorded four months before loan 1.
- The defaults also show Mr H had previous difficulties managing his credit.
- Bank statements ought to have been used for a proportionate check.
- Mr H had a history of using payday loans – which is an expensive form of borrowing.

These comments didn't change the investigator's mind and as no agreement has been reached, the case has been passed to me to resolve.

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 this type of lending - including all the relevant rules, guidance and good industry practice - on our website.

Fund Ourselves had to assess the lending to check if Mr H could afford to pay back the amounts he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Fund Ourselves' checks could've taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr H's income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Fund Ourselves should

have done more to establish that any lending was sustainable for Mr H. These factors include:

- Mr H 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);
- Mr H having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr H 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 Mr H. As there were only two loans the investigator didn't think this applied to Mr H's complaint and I agree.

Fund Ourselves was required to establish whether Mr H could *sustainably* repay the loans – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mrs M was able to repay his loans sustainably. But it doesn't automatically follow that this is the case.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr H's complaint.

Loan 1

Mr H declared he earned £2,000 per month. Mr H also declared monthly outgoings of £800 to cover several different items including, food, other credit commitments and utilities.

The rent provided was a little on the low side at only £150 per month but Mr H also declared he lived at home with parents so perhaps that was to be expected. So, the low rent figure wouldn't, in my view, have prompted any further checks by Fund Ourselves as it was entitled to have relied on what it was told.

In any event this was the first loan and I think it was – bearing in mind the monthly commitment – reasonable for Fund Ourselves not to have looked at or investigated Mr H's finances in any greater detail.

Although, Fund Ourselves, in the final response letter did say that it used “...*the services of a national credit bureau to assess the accuracy of the information provided at the time of the application.*” No further details have been provided, but even if Fund Ourselves hadn't carried out this additional check, it wouldn't change my mind about the outcome for this loan.

Before the loan was approved Fund Ourselves also carried out a credit search and it has provided a summary of the results it received from the credit reference agency. It is worth saying here that although Fund Ourselves carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard.

While I acknowledge that Mr H has provided a copy of his credit report, I've focused on the results that Fund Ourselves received because this is the information it had available to it when making the lending decisions.

Having reviewed the credit check results, for loan 1 there was some adverse information including defaulted accounts. But there were no signs that Mr H had a County Court Judgement or had been insolvent. It also knew he had eight active accounts with balances of just over £2,860.

It did know from the credit check results that Mr H's credit commitments were significantly greater than the £250 he declared. From the credit check results, it looks like Mr H's monthly commitments were more likely to be around £520.

So, what Fund Ourselves really ought to have done is used the figure it was provided with from the credit reference agency to the other figures that Mr H had provided. But, even if Fund Ourselves would've done that it still would've left a sufficient amount of disposable income in which for him to afford the repayments.

Fund Ourselves did know that fairly recently Mr H had experienced difficulties, because it was aware of a default recorded around four months before the loan started. But considering, the small monthly repayments required to meet the loan payments and that this was a short-term loan I do think it as just about reasonable for Fund Ourselves to have lent to Mr H. The recent defaulted account had gone from being three months in arrears to being defaulted and satisfied within a month.

There were also another three other defaults, but I'm satisfied these were historic given these had been recorded between November 2018 and March 2020. So, the older defaults wouldn't have led Fund Ourselves to carry out further checks.

And given the marketplace Fund Ourselves operates in, some adverse credit file information was and is to be expected. Given that the most recent default had been brought up to date the month after it was granted, I don't think this would've led Fund Ourselves to have carried out further checks.

Fund Ourselves could only make its decision based on the information it received and gathered and it was entitled, at the start of the lending relationship to have relied on the information Mr H gave it as well as the results of its checks.

As this was the first loan, I think it was reasonable for Fund Ourselves to have relied on the information Mr H provided about his income and expenditure albeit Fund Ourselves ought to have added the monthly commitment it discovered from the credit search results.

I am therefore not upholding the complaint about this loan.

Loan 2

Fund Ourselves carried out the same sort of checks for this loan as it did for loan 1. Mr H declared the same monthly outgoings at £800 but this time his income had increased to £2,500 per month. Based purely of the information Mr H declared Fund Ourselves fairly worked out the loan to be affordable.

In addition it also carried out a credit search and I've once again reviewed the results it received. No new defaults had been added to the credit file since loan 1 – indeed the default reported in 2020 had been satisfied since loan 1 was granted. There were still no CCJs or other types of insolvency. This time there were ten active accounts with Mr H owing nearly £2,200 to his creditors – a slight reduction in balance.

It also knew at loan 2, that the £250 per month Mr H declared for his credit commitments wasn't accurate. The credit checks results indicated these costs were likely to be around £560 per month.

What Fund Ourselves ought to have done, as with loan 1 – is to substitute the figure it received from the credit reference agency into its other figures it relied upon. Had it done so, it would've reduced the amount of disposable income Mr H had – but nonetheless there would've been ample funds to afford the monthly payments.

I appreciate for both loans Mr H's representative has provided copy bank statements, but as I think the checks went far enough – and no further enquires were needed into his circumstances I think it would've been disproportionate of Fund Ourselves to have reviewed and checked Mr H's bank statements.

I've also considered that loan 2 was taken shortly after loan 1 was repaid, but that on its own, given it was only the second loan wouldn't be enough to have said Fund Ourselves needed to conduct further checks or to have probed further.

I can also see some of the monthly repayments due for loan 1 were made later than agreed. In some situation that may have been enough to have prompted further checks, but as the payments were only made a couple of days late, I don't think, that solely would've been enough to have led Fund Ourselves to have carried out further checks.

I'm sorry to read that repaying these loans was difficult for Mr H and I can see that for the final loan it was, in Fund Ourselves words "*rescheduled*". By that I think some sort of repayment plan was put in place which meant Mr H repaid the loan several months later than planned. It would seem that Fund Ourselves treated Mr H fairly and hasn't charged him more for that final loan than the payday loan cost cap allowed.

Finally, I've also considered whether Fund Ourselves has 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 Fund Ourselves lent irresponsibly to Mr H or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

Taking everything into account, I do not uphold Mr H's complaint about Fund Ourselves' decision to lend either of these loans.

My final decision

For the reasons I've explained above, I'm 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 28 April 2025.

Robert Walker
Ombudsman