DRN-5498614

The complaint

Mrs C has complained that Chetwood Financial Limited trading as Better Borrow ("Better Borrow") gave her loans that she couldn't afford to repay.

What happened

A summary of Mrs C's borrowing can be found below.

loan number	loan amount	total to repay	agreement date	Repayment date	number of monthly instalments	highest repayment per loan
1	£3,700.00	£5,800.37	28/11/2021	24/01/2022	36	£161.13
2	£3,200.00	£4,542.72	12/12/2022	outstanding	36	£126.19

Better Borrow has confirmed that the second loan defaulted in January 2024, and since February 2024, the statement of account shows Mrs C has been making regular reduced repayments. The account was sold to a third-party collection agency in January 2025.

Following Mrs C's complaint Better Borrow wrote to her in September 2024 and explained why it wasn't going to uphold the complaint about either loan. However, following comments from Mrs C it revisited the complaint and this time Better Borrow agreed to refund £183.03 worth of interest that was charged at loan 1 and it agreed to reduce the interest due on loan 2 by £167.28. Unhappy with this response, Mrs C referred the complaint to the Financial Ombudsman.

An investigator didn't uphold Mrs C's complaint. He said the checks carried out by Better Borrow before both loans were approved were proportionate and suggested Mrs C would be able to afford the repayments.

Mrs C didn't agree with the investigator's outcome, saying.

- Chetwood shouldn't have solely relied on its different tools to determine if the loans were affordable.
- The interest rate on the agreement was high and that ought to have prompted further checks.
- Had bank statements been requested, then Chetwood wouldn't have agreed to lend due to Mrs C's other creditors and her gambling.
- While Mrs C did accept the goodwill payment this shows Chetwood must have had some doubts about the lending otherwise, why would it offer a refund.
- Mrs C explained she has since set up a repayment plan with the third party who was managing the debt and she confirmed she still hasn't been able to return to work.

These points didn't change the investigator's mind and as no agreement could be reached the complaint has been passed to me to decide.

While the complaint was waiting for an ombudsman to consider it, Mrs C let us know that her outstanding balance had been sold to a third-party collection agency. Mrs C said this showed a lack of understanding and compassion. Although, she provided a copy of an email received from Better Borrow – dated 18 March 2025, which said Better Borrow was in the process of repurchasing the account from the third party.

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 of the relevant rules, guidance and good industry practice - on our website. And I've used this approach to help me decide Mrs C's complaint. Having carefully considered everything I've decided to not uphold Mrs C's complaint. I'll explain why in a little more detail.

Better Borrow needed to make sure it didn't lend irresponsibly. In practice, what this means it needed to carry out proportionate checks to be able to understand whether Mrs C could afford to repay any credit it provided.

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 checks to be less thorough – in terms of how much information is gathered and what is done to verify it – in the early stages of a lending relationship.

But we might think more needed to do be done 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 firm to be able to show that it didn't continue to facilitate a customer's loans irresponsibly.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mrs C's complaint. Having looked at everything I have decided to not uphold Mrs C's complaint about either of the loans, and I've explained why below.

Mrs C has provided us details about her health and how this has impacted her ability to return to work – I'm sorry to read about what has happened and I do hope she's receiving the necessary support. I won't go into any more detail to protect Mrs C's privacy. But I thank her for sharing the information with us. Better Borrow is also fully aware – and it will need to continue to consider the information it has been given when dealing with Mrs C.

I'm sorry to hear about the recent problems Mrs C has had with the sale and repurchase of the debt – which she has explained she didn't know anything about and then. I can understand why she feels Better Borrow hasn't treated her fairly. However, all of this happened, after Mrs C's initial complaint and after it was referred here and assessed. So, like the investigator, if Mrs C is unhappy about how she's been treated in relation to this specific issue she'll need to raise with Better Borrow in the first instance. I won't be making any findings in this decision about the debt sale and or possible return.

Loan one

Mrs C declared she worked full time and earned £1,748 per month. Better Borrow says Mrs C's income figure was checked through a tool provided by a credit reference agency – and the results of that indicated that what Mrs C had declared was in line with what she had declared.

It was therefore satisfied that the amount declared by Mrs C was likely to be accurate and it was this figure that was used for the affordability check. In my view, this is a proportionate check taking account of the regulations. Which says in CONC 5.2A.16(3).

> *(For the purpose of considering the customer's income under CONC 5.2A.15R, it is not generally sufficient to rely solely on a statement of current income made by the customer without independent evidence (for example, in the form of information supplied by a credit reference agency or documentation of a third party supplied by the third party or by the customer).*

In my view, Chetwood took reasonable steps to determine Mrs C's income through a well-known industry method. Chetwood was also entitled to rely on the results of the check so even if Mrs C's income wasn't as high as what Chetwood calculated it was still able to rely on the results of the check that it carried out into her income.

As part of the application Mrs C declared that her housing costs came to £302 per month. To this figure Better Borrow added the amount of its monthly loan repayment, the existing credit commitments it discovered from the credit search (£348) and which I comment on below as well as £475 per month for other living costs which is information it had gathered from the Office of National Statistics (ONS). Overall, Chetwood calculated a disposable income of £459 per month and it would've reasonably believed the loan was affordable.

Better Borrow, as part of its affordability assessment carried out a credit search and it has provided a summary of the results it received from the credit reference agency. I want to add that although Better Borrow carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard.

Better Borrow says the credit check results showed that Mrs C had two credit card accounts – owing £4,141, two loan accounts costing a combined £199 per month and two current accounts. In total Mrs C had nearly £6,500 of existing debt. As I've said above, Better Borrow calculated these costs came to £348 per month. Given the information it had, this doesn't seem an unreasonable amount to attributed for existing commitments.

There were no missed payment markers, defaults or any types of insolvency and it appeared from the information Chetwood received. The information it was given suggested Mrs C was on top of her payments and didn't at least superficially appear to be having repayment problems.

It also isn't the case – based on what Mrs C declared to Better Borrow that she would take this loan to get further into debt. Mrs C had told Better Borrow the loan was for debt consolidation and I think it was fair for Better Borrow to consider the funds would be used for this purpose.

The crux of the issue here is that Mrs C says that given everything Chetwood ought to have asked to see her bank statements – had it done so it would've seen she was gambling and so not lent to her. Mrs C also said it wasn't reasonable for Chetwood to have relied on the various tools that it utilised as part of the assessment.

Using the ONS is a well-established way of working out what a consumer's living costs maybe and is compliant with the regulations at the time. I also think that Chetwood would've only had concerns if the other information it gathered and checked would've led it to believe that the ONS data couldn't be fairly relied upon or knew that it wasn't a good fit for Mrs C's circumstances. But I don't think this was the case here. Her income was checked and there was no indication of any impaired credit history. Indeed, this entirely in line with what the regulations say in CONC 5.2A.19

> *"It is unlikely to be appropriate to place reliance on statistical data, for example, where the firm is aware, or has reasonable cause to be aware from information in its possession, that the composition of the customer's household, or the number of dependants that the customer has, or the level of the customer's existing indebtedness, differs significantly from that of the sample of persons on which the statistical data were based."*

Overall, the checks Chetwood carried out were proportionate and the checks indicated the loan was likely to be affordable for Mrs C. Chetwood took steps to check her income and it was reasonably entitled to reply on the results of the credit check as well as using ONS as a way to estimate her living costs.

The credit file didn't show any missed payments or anything else to have given Chetwood cause for concern. In those circumstances where Mrs C was a new customer, I don't think there were any prompts or anything else that would've led Chetwood to have requested and reviewed Mrs C's bank statements.

I also don't think it reached the point where Chetwood needed to verify her income or outgoings any further such as asking for supporting documentation or bank statements – doing so given the checks it had done and what they showed would've been disproportionate. This does mean, that Chetwood didn't and couldn't have known that Mrs C was gambling at the time – and so couldn't take this into account when making its decision.

Although, I've not upheld this loan, it's worth saying that Chetwood has already refunded Mrs C around 50% of the total interest that it charged her for the first loan – which I consider to be fair and reasonable.

Loan two

Loan 1 was repaid much sooner than anticipated, and then Mrs C didn't return for further borrowing for almost a year. In those circumstances, it was fair and reasonable for Better Borrow to have treated Mrs C's application afresh and as if she was a new customer. Although, this was loan 2, it became loan 1 of a new lending chain.

It also seems, that Chetwood carried out the same sort of checks before it granted this loan as it had done for loan 1. Which I don't think was unreasonable given the gap and what Mrs C declared and what it discovered about her from its own checks.

While I won't go into as much detail here as I did for loan 1, Chetwood checked Mrs C's declared income of £1,929 and used this figure for the affordability assessment.

Once again, a copy of the credit check summary has been provided, this time Miss C had only one credit card with a balance of £256. But her unsecured loans had increased in value and this is why for the second loan her credit commitments were worked out to be £501 per month. Again, there wasn't any obvious signs of missed payments or any other adverse payment information.

To this amount, Chetwood added Mrs C's declared housing costs, her loan payment and a cost-of-living amount – taken from ONS data. This left a disposable income of £460 and so the loan appeared affordable.

I've thought carefully about whether these checks were proportionate and for broadly the same reasons I gave for loan 1 – they were. Chetwood was entitled to rely on the information t was given by Mrs C and the results of its checks. The checks didn't indicate Mrs C was having or likely having financial difficulties and so it was entirely fair and reasonable for it to have relied on the results on the declarations and ONS data – which showed Mrs C could afford her loan payments.

I accept that Mrs C had had difficulties repaying the loan, but those difficulties weren't apparent at the time the loan was granted. And taking account of all the checks carried out, I don't think it would've been proportionate for Chetwood to have dug any deeper into Mrs C's finances – such as asking for a copy of her bank statements. I therefore do not uphold the complaint.

Chetwood, paid an offer for this loan, and I can see from the statement of account that it has reduced Mrs C's balance by the agreed amount. Given, I've not upheld the complaint then it therefore follows this offer was fair and reasonable.

An outstanding balance remains due, and I would remind Chetwood of its obligation to treat her fairly and with forbearance with the repayment of the balance – if it has purchased the loan.

Other considerations

I've revied the correspondence between Mrs C and Better Borrow and it doesn't appear Better Borrow was aware Mrs C had previously been gambling nor the impact her health had had on her ability to return to work.

It looks like, from the information I've been given that the earliest Better Borrow was aware of her health problems was the end of July 2024, this was after the account had defaulted and was being managed by an appointed third party – and this was after Mrs C had agreed a repayment plan with the third party.

Although I can see from the notes that Mrs C had problems making payments from July 2023, but given what she told Better Borrow about why her payments were late I'm satisfied Better Borrow treated her fairly – which included offering a 30 day breathing space.

Overall, having considered what I've seen, what I'm considering, and the actions Better Borrow took once it knew about Mrs C's health problems, I'm satisfied it treated her fairly and no further awarded ought tot be paid.

I've also 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 Chetwood lent irresponsibly to Mrs C 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

For the reasons I've explained above, I'm not upholding Mrs C's.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 30 May 2025.

Robert Walker
Ombudsman