

The complaint

Mr P says My Finance Club Limited, trading as Ondal, irresponsibly lent to him.

What happened

This complaint is about a short-term high-cost loan Ondal provided to Mr P on 16 March 2023. It was for £400 over 38 days and the total repayable was £521.60.

Mr P says Ondal did not conduct sufficient affordability checks. Specifically, the gambling transactions; a high volume of cash withdrawals linked to gambling; and the clear reliance on credit all of which were evident on his bank statements should have raised significant concerns.

Ondal says it carried out proportionate checks that showed the loan would be affordable for Mr P.

Our investigator did not uphold Mr P's complaint. She said Ondal's checks were adequate and it made a fair lending decision based on the information it gathered.

Mr P disagreed with this assessment and asked for an ombudsman's review. He said, in summary, a more complete view of his financial position would have raised questions about sustainability. His March 2023 bank statement would have shown a persistent reliance on his overdraft, frequent cash withdrawals and third-party transfers typical of problematic gambling, returned direct debits, gambling transactions and multiple repayments to other lenders. He challenged Ondal's income verification, saying it relied solely on his declaration. And finally, he said as Ondal's checks were minimal it can be argued the lending relationship was unfair.

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 have considered all of Mr P's comments carefully, and I mean no discourtesy by this, but in keeping with our role as an informal dispute resolution service – and as our rules allow – I will focus here on the issues that are material to the outcome of his complaint.

We've set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Ondal needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr P could repay the loan in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Ondal should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the lower a customer's 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 higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the greater the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr P's complaint.

Ondal has shared the checks it carried out for affordability and creditworthiness before agreeing to lend to Mr P. It asked Mr P for his income (£2,577) and fixed outgoings (£850). Contrary to Mr P's recollections, it verified his declared income with a payslip (it has provided a screen shot of Mr P's online payslip). That slip did not show any overtime that needed to be discounted. It also completed a second successful verification direct with his bank. It carried out a credit check to understand Mr P's existing monthly commitments (£400) and repayment history. From these checks combined Ondal calculated Mr P had £1,327 monthly disposable income and so could afford the loan.

I have found nothing to indicate Ondal needed to do more when it approved this loan. I know Mr P feels strongly that had it reviewed his bank statements it would have seen that he was not financially stable, but there is no obligation on a lender to do this. And such a review would not have been proportionate given the nature of the lending, or the results of the initial checks. It was Mr P's first loan with Ondal and its affordability assessment showed he had ample disposable income. The credit check showed he was managing his existing credit well, with the contractual repayments being made in full and on time.

I do appreciate Mr P's financial reality was not wholly reflected in the checks and I am sorry he has struggled with problematic gambling. But from the proportionate checks Ondal completed I cannot see there were any indicators of financial strain that it missed. I hope Mr P now has the support he needs, if not StepChange (0800 138 1111) and Gamcare (0808 802 0133) are organisations that provide advice and support with debt management and problematic gambling respectively.

It follows I cannot find Ondal was wrong to lend to Mr P.

Mr P is also unhappy with the interest rate he was charged. I accept it was high. But the credit agreement clearly set out the cost of credit, the daily interest rate and the APR. Mr P had to actively engage in the application process for his loan, so I think it's likely that he was aware of what he was agreeing to pay. I haven't seen anything which makes me think that Ondal treated Mr P unfairly or breached industry practice regarding interest charges.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Ondal lent irresponsibly to Mr P 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 P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 31 July 2025.

Rebecca Connelley
Ombudsman