The complaint

Mr A complains that Steadypay Limited gave him two running credit facilities which he couldn't afford to repay.

What happened

In December 2020 Mr A was given a running credit account with a limit of £1,000. The account was settled on 28 July 2022. Mr A had problems repaying this account towards the end of it and made partial payments in May, June and July to clear the balance. Shortly after this, on 17 August 2022, Mr A was given a second facility which was again a running credit account with a limit of £1,000.

The account worked by calculating Mr A's average pay over the past three months and if he was below this average amount, then he would be topped up. The top-up would then be paid back in instalments. Mr A was also able to request top ups (so long as he didn't exceed his £1,000 limit). This type of top up needed to be repaid before another could be requested. The account charged a fixed weekly subscription amount rather than charging interest on the amounts credited. This was initially £4 per week and increased to £5 per week in 2022.

Mr A argues that Steadypay lent irresponsibly to him. He says Steadypay continued to lend to him for an extended period of time when he couldn't afford it. He's said he was left with limited money each month and needed to continue to borrow to get through the next month. He's asked for all the fees he's paid to be returned to him. He also feels Steadypay should have done more to support him when he was struggling.

Steadypay considered his complaint, but didn't agree. It argued it completed proportionate checks before lending and based on this, it was reasonable to agree both accounts. It states it complied with the relevant rules and regulations set out by the Financial Conduct Authority.

Mr A wasn't happy with Steadypay's response, so he referred his complaint to our service. One of our investigators considered the complaint and upheld it. They concluded that Steadypay should have seen from the information it had available that Mr A was unlikely to be able to repay either credit facility in a sustainable way. Steadypay didn't agree with the investigator and asked for an ombudsman to consider the complaint.

I understand that Mr A took out a third credit facility with Steadypay, however this was after Mr A raised his complaint. Should Mr A wish to complain about this account he will need to do so separately and to Steadypay in the first instance.

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.

Having done so, I'm upholding this complaint for broadly the same reasons as the investigator.

I've read everything that the parties have said, but I'll concentrate my comments on what I think is relevant. If I don't comment on a specific point it's not because I've failed to consider it, but because I don't think I need to comment in order to reach a fair and reasonable outcome. And our rules allow me to do this. This reflects the nature of our service as a free and informal alternative to the courts.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. I have used this approach to help me decide Mr A's complaint.

Steadypay needed to make sure it lent responsibly to Mr A. It therefore needed to complete sufficient checks to determine if Mr A could afford to sustainably repay the lending. Our website sets out our approach to what we typically think when deciding if a lender's checks were proportionate. There is no set list of checks a lender should do, but there is guidance on the types of checks a lender could complete. However, these checks needed to be proportionate when considering things like the amount and term of the lending, what the lender already knew about the consumer, etc.

Turning to the checks completed, Steadypay has said before agreeing each account it completed a "full credit check" and an affordability assessment considering both his income and expenditure, using open banking. Steadypay has highlighted that these checks assessed both income and expenditure.

Having considered the types of checks that Steadypay completed, I think these were proportionate when considering the credit limit given and the structure of how the accounts operated. The information gathered would have allowed Steadypay to gain a reasonable understanding of Mr A's circumstances and whether he could have sustainably afforded to repay this lending.

I'll now go on to consider if, as a result of the information gathered, Steadypay made fair lending decisions. Steadypay is unfortunately only able to provide some of the information it gathered during each application. It has provided limited credit file results which it says doesn't indicate Mr A was struggling financially. However, it has said Mr A's most recent application (not being considered as part of this decision) has overridden the earlier open banking information.

Our investigator therefore attempted to recreate the information Steadypay was most likely to have had available when deciding whether to agree these facilities. They gathered Mr A's bank account statements for the months leading up to each application. These statements show Mr A's income coming into the account which Steadypay confirmed was the account used for it's open banking checks. And the investigator went further to confirm that the employer Steadypay had recorded was the same employer which featured on Mr A's account statements. So I'm satisfied that this is reflective of the information Steadypay would have had access to at the time of each application. Furthermore, the investigator set this out in their assessment and Steadypay hasn't disputed this.

From looking at the statements leading up to the December 2020 application, it's clear that Mr A was already heavily overindebted and reliant on a number of existing high cost and other credit providers. The vast majority of his wages were used to repay these existing credit commitments and he was reliant on his overdraft.

As an example, I've looked at Mr A's credit commitment repayments from when he is paid in late October 2020 until his subsequent payday in late November 2020. From this I can see Mr A earnt £2,000 net. However, Mr A paid over £1,700 to existing credit providers. In the month prior to this he repaid over £1,500 in existing credit repayments. It is clear from looking at these statements that Mr A was over reliant on credit, particularly credit which was intended for short term use. And it's clear that he was continuing to borrow to repay existing debts/ have money to live on.

Taking all this into consideration, I think Steadypay should have realised it wasn't responsible to lend to Mr A at this time. His statements show he couldn't afford to sustainably repay his existing credit commitments, so he clearly didn't have capacity to take on further debt. So I don't think Steadypay made a fair lending decision in relation to the December 2020 credit facility it agreed.

Turning to the second account in August 2022, this was taken out 2-3 weeks after the previous account ended. Mr A had repayment problems towards the end of this account and after the balance was cleared the account was closed. I think given Mr A had recent repayment problems on the previous account, this should have given Steadypay reason to question whether it should have given Mr A another credit facility at this time.

Having also considered Mr A's bank statements in the months leading up to this account being given, I think again it should have been clear to Steadypay that it wasn't responsible to lend to Mr A. I've noted Mr A's income had increased to around £2,600 net per month. However, I can still see a number of existing high-cost credit, buy-now-pay later and other credit commitments and he is still heavily reliant on his overdraft. And this, together with his recent repayment problems on his other Steadypay account, should have suggested to Steadypay that Mr A wasn't in a position to take on additional borrowing. He was clearly over reliant on existing credit, including high-cost credit. So, I don't think Steadypay made a fair lending decision in relation to this account.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr A in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Steadypay should:

- Refund all monthly subscription fees Mr A paid across both accounts along with 8% simple interest* per year calculated from the date each payment was made until the date of settlement.
- Remove any adverse information recorded on Mr A's credit file in relation to these two accounts.
- I understand that Steadypay has written off the small principal balance outstanding on Mr A's second account. Steadypay can deduct this from the amount paid to Mr A if it chooses to.

*HM Revenue & Customs requires Steadypay to deduct tax from any award of interest. It must give Mr A a certificate showing how much tax has been taken off if he asks for one.

My final decision

For the reasons explained above, I uphold this complaint and require Steadypay Limited to put things right in the way I've described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 23 October 2025.

Claire Lisle

Ombudsman