

The complaint

Mrs C complains that Chetwood Financial Limited trading as BetterBorrow (and referred to in this decision as BetterBorrow) lent to her irresponsibly. She complains BetterBorrow didn't do enough to check the lending would be affordable for her.

Background

BetterBorrow provided Mrs C with a loan of £10,000 in June 2021. This loan had an APR of 14.6% and a term of 48 months. The total amount repayable under the loan agreement was £13,038.89, which included interest of £3,038.89. It was agreed the loan would be repaid in 47 monthly payments of £271.65 and a final monthly payment of £271.34.

In May 2025 Mrs C complained to BetterBorrow. She said BetterBorrow didn't carry out appropriate checks before agreeing to lend. She said, if it had done this, it would have seen the lending was unaffordable for her. Mrs C also raised concerns over the sale of the account to a debt purchaser.

BetterBorrow didn't agree it had acted unfairly. It said it did carry out appropriate checks at the time the lending was agreed which showed the monthly payments were affordable. And it said the account had been fairly and correctly assigned to the debt purchaser.

Mrs C's complaint was considered by one of our investigators. The investigator didn't think BetterBorrow had done anything wrong or treated Mrs C unfairly, so he didn't recommend Mrs C's complaint be upheld.

Mrs C disagreed with our investigator, and the complaint was passed to an ombudsman for a final decision.

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 explain how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mrs C's complaint.

Before I go on to set out my conclusions on this matter, I want to say that I can see that it's clear just how strongly Mrs C feels about her complaint and why she's unhappy. So I think it might help for me to set out that, while I may not have commented on each and every point that she's made, I have read and considered everything she's said.

However, I've focused on the key things that have led to me reaching, what in my view is, a fair and reasonable decision. For the sake of completeness, I'd add that the rules of this service permit me to do this as it reflects the nature of our service which was set up to be an informal alternative to the courts.

Having carefully considered everything, I'm not upholding Mrs C's complaint. I'll explain why in more detail.

I've started by considering whether BetterBorrow acted fairly and reasonably when initially deciding to lend to Mrs C.

Our approach to considering irresponsible and unaffordable lending complaints

BetterBorrow needed to make sure it didn't lend to Mrs C irresponsibly. In practice, what this means is that BetterBorrow needed to carry out reasonable and proportionate checks to be able to understand whether Mrs C could afford to repay the lending in a sustainable way before agreeing to lend.

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, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

In reaching my decision, I will first consider whether BetterBorrow's checks were proportionate given the circumstances of the lending agreed. If I find they were proportionate, I will then go on to consider whether BetterBorrow made a fair lending decision. If I've found they weren't, I will consider what proportionate checks would have told BetterBorrow at the time.

Once I have addressed the lending decision, I will then go on to consider if BetterBorrow acted unfairly in any other way.

BetterBorrow's checks

To assess Mrs C's affordability, BetterBorrow has explained it:

- reviewed information provided by Mrs C in her application,
- verified her declared income using an automated check by a credit reference agency,
- carried out a credit check to understand her credit commitments and the status of her accounts, and
- completed an income and expenditure assessment using the verified income figure, credit commitments identified from the credit check (including her mortgage payment), and information provided by Mrs C.

BetterBorrow has argued these checks indicated the monthly payments for the loan would be affordable for Mrs C. However, Mrs C has said she shouldn't have been lent to. I've thought carefully about what BetterBorrow and Mrs C have said.

Were BetterBorrow's checks proportionate?

Mrs C's income

There appears to be no dispute that as part of Mrs C's loan application, she declared that she was working full-time and earning £2,116 a month. BetterBorrow used an automated check from a credit reference agency to check the monthly turnover of Mrs C's bank account across a six and twelve month period. BetterBorrow has explained the automated check verified the declared income figure was being paid into Mrs C's account each month.

I know Mrs C has expressed concern about lenders relying on income (and expenditure) figures from prospective borrowers. And since bringing the complaint to our service, Mrs C has explained she was transitioning to self-employment at the time the lending was agreed and had recently been receiving income support. Mrs C has taken the time to supply our service with bank statements and other documents which she contends present a more realistic picture of the income she was actually receiving.

In considering this matter, I wouldn't go as far as BetterBorrow in saying that it verified Mrs C's income. However, BetterBorrow did take steps to cross check Mrs C's declaration and importantly this meant it wasn't just relying on what Mrs C had said about her income when considering the affordability of the loan. And given this type of cross checking is permitted by the regulator's rules and guidance, and given it supported what Mrs C had declared about her income, I think it was reasonable for BetterBorrow to have relied on Mrs C's declaration when making its lending decision.

While I sympathise with Mrs C's circumstances and what she was going through at the time, I do think BetterBorrow's income check was proportionate in the circumstances of this case and I'm unable to reasonably say that it ought to have done more.

I now turn to the rest of the information BetterBorrow relied on when deciding whether to lend.

BetterBorrow's credit check

The credit check BetterBorrow completed showed Mrs C had three mail order accounts, three credit cards, a current account, a mortgage and a telecoms account. The credit check showed that there had been, at least, one late payment on Mrs C's credit cards in the last twelve months, and that the limit on one of these accounts had been breached. I've said at least one late payment as the information BetterBorrow has submitted states that '1' was the most amount of payments Mrs C was in arrears by in the 12 months prior to the credit check being carried out. However, it doesn't state the number of occasions this may have occurred.

In any event and importantly, the credit check showed no, what would typically be considered, *significant* adverse payment information recorded on Mrs C's credit file over the 12 months prior to the loan application. For example, there were no defaulted accounts, County Court Judgments or consistent arrears reported. And this credit check showed Mrs C was using less than around two thirds of the total amount of credit that was available to her at the time the lending was agreed.

Mrs C has expressed concern about the affordability of this new lending given the size of her existing debt, and I can see she's also raised concerns that her revolving credit debt was greater than what BetterBorrow's credit check showed at the time. While I appreciate what Mrs C has said, I do think it was reasonable for BetterBorrow to rely on the information it had obtained from its credit check when considering the loan application, and I can see the credit check showed Mrs C had around £12,000 of unsecured revolving credit debt at the time.

While I have taken the size of Mrs C's existing debt into account when considering the proportionality of BetterBorrow's checks, given what BetterBorrow knew about Mrs C's income, her payment history, and considering that BetterBorrow did go on to include meaningful payments towards these accounts in its income and expenditure assessment - I don't think BetterBorrow needed to do anything more in relation to this.

Mrs C has also raised concerns about the lending decision as she's said she was consistently in her £600 overdraft each month prior to this lending being agreed. BetterBorrow's credit check didn't show Mrs C's current account as reporting a negative balance at the time. And, as mentioned above, I do think it was reasonable for BetterBorrow to rely on the information it had obtained from its credit check when considering the loan application.

BetterBorrow's income and expenditure assessment used the information from this credit check to identify her mortgage payment and also calculate Mrs C's monthly payments towards her other creditors. BetterBorrow then deducted these costs and the new proposed loan payment from the monthly income which, for the reasons I've already explained, it was entitled to rely upon. BetterBorrow has said this left Mrs C with around £850 a month in disposable income which allowed it to conclude the lending would be affordable for her.

While I do think BetterBorrow's assessment was fair and reasonable in terms of the income amount used, housing costs and credit commitments calculated – I can see the section of its assessment in relation to Mrs C's essential monthly living costs is blank. I don't know why this section is blank but, to lend responsibly, I do think BetterBorrow needed to do more to understand what Mrs C's essential living costs were.

So while I do think BetterBorrow took some positive steps to check Mrs C's affordability for this loan, I ultimately don't find its checks to have gone far enough. And I do think, considering the size and term of the proposed loan, it needed to understand more about Mrs C's committed and non-discretionary essential expenditure before deciding the monthly payments to this loan were affordable.

What would proportionate checks have shown BetterBorrow?

As I've explained, BetterBorrow needed to understand more about Mrs C's committed and non-discretionary essential expenditure before it could reasonably say that the monthly payments were affordable. However, if BetterBorrow had included Mrs C's essential living costs within the income and expenditure assessment, I ultimately don't think it would have changed the lending decision reached. I'll explain why.

To start with it might help for me to explain that, in terms of committed and non-discretionary essential expenditure, I'm talking about necessary (and often contractual) monthly commitments for example, phone costs, household bills, travel and food costs. However, looking at what Mrs C has provided since the complaint has been with us, I don't think that BetterBorrow including a provision for Mrs C's committed and non-discretionary essential expenditure would have led BetterBorrow to determine the loan was unaffordable for Mrs C.

As this is the case, I think that BetterBorrow supplementing what it had already found out about Mrs C's income and her credit expenditure with information on Mrs C's committed and non-discretionary essential expenditure, would still have led it to have found this loan to be affordable. I therefore don't think that BetterBorrow doing more to ensure its checks were proportionate would have changed things.

Taking all of this into account, I'm not persuaded that BetterBorrow lent in circumstances where it was inappropriate to do so. So I'm not upholding Mrs C's complaint. I appreciate this will be disappointing for Mrs C – but I hope she'll understand the reasons for my decision.

Mrs C's concerns regarding her arrears, default and her loan debt being sold

Mrs C has raised a number of concerns regarding BetterBorrow's actions once she began having difficulty making her loan repayments. She has questioned the legality of her loan being defaulted and then being sold on to a debt purchaser. Mrs C has said she can't remember confirming receipt of a default notice.

There is no dispute that Mrs C began experiencing difficulty making her loan payments. When a lender becomes aware, or it ought reasonably to be aware, that a borrower is experiencing difficulty making their payments, I think that it's fair and reasonable to expect it to exercise forbearance and due consideration in line with its regulatory obligations.

I can see that when Mrs C contacted BetterBorrow to let it know she was struggling to make her payments she was told it would contact her by phone to better understand her situation and find a solution that was right for her.

I think that this was a genuine attempt to understand Mrs C's position sympathetically, and I can see that Mrs C initially welcomed this suggestion. I'm satisfied that this was a fair and reasonable initial first step for BetterBorrow to have taken.

I've also seen that when Mrs C fell further behind with her loan payments a 'Notice of Sums in Arrears' letter was sent to her in January 2022, along with a factsheet signposting her to organisations that may be able to offer support. Mrs C was once again also given the option of contacting BetterBorrow to discuss tailored support.

Mrs C did make a lump sum payment in February 2022 and then her usual monthly payment in March 2022. However, this was the last payment she made for some time.

I do sympathise with what Mrs C has told us. I fully appreciate why she's unhappy with adverse information being recorded on her credit file and worried about the impact this will have. But by June 2022, Mrs C had three consecutive missed payments and her arrears were increasing.

I don't think it would have been fair, reasonable or proportionate for BetterBorrow to ignore Mrs C's obvious and apparent difficulty, or the fact that the payment issues Mrs C was having were likely to be long term and that it was looking unlikely that she'd be able to resume her usual payments. So by this stage, I would have expected BetterBorrow to have sent Mrs C a default notice in the way that it did.

I can see that this letter was correctly addressed to Mrs C so I think it would more likely than not have been received. The default notice informed Mrs C that her loan was £1,229.90 in arrears and she needed to pay this amount by 26 June in order to bring her account up to date. As Mrs C's next payment (a partial payment of £100) wasn't made until August 2022, I don't think that it was unfair for BetterBorrow to have defaulted Mrs C's loan at this stage.

It's important to bear in mind that, while terminating a facility and recording a default or other adverse information might be viewed negatively by other lenders, it does offer the borrower certain protections in relation to the debt that is in arrears. For example, it prevents the lender from adding any further interest and charges to a debt.

Furthermore, asking BetterBorrow to remove the default when Mrs C didn't repay this debt in line with the initial terms and conditions, and didn't, or perhaps wasn't able to, make payments of an amount that would have prevented the account defaulting, would arguably be counterproductive and not in Mrs C's interests or that of any future lender.

Bearing all this mind, I don't think BetterBorrow has acted unfairly in defaulting the account when it did. Particularly, as mentioned, interest stopped accruing when the account was defaulted which prevented the debt Mrs C owed from increasing further.

I note that Mrs C is unhappy that BetterBorrow sold the debt on her loan to a third-party debt purchaser. However, it's probably helpful for me to explain that there isn't a general prohibition on a lender selling or assigning a debt onto a third-party. Indeed, such actions are common – especially where a borrower has defaulted on a debt. Equally, once a debt has been assigned the onus is on the purchaser of the debt to get in touch with the borrower about the next steps. It's unclear to me whether the third-party debt purchaser did get in contact with Mrs C. But, in any event, if Mrs C is unhappy with the third-party debt purchaser's actions this is a matter she will need to take up with it directly. However, in terms of what BetterBorrow was required to do, I'm satisfied that it acted fairly and reasonably when Mrs C had difficulty with her payments and in defaulting the account.

Finally, I know that Mrs C has also raised concerns about the balance on her account. In particular, she's concerned her payments weren't accurately used to reduce the loan balance. I have reviewed the account information provided by all parties to the complaint – including the statement of account. I can see late payments were credited to the account when paid and did reduce the loan balance as expected. And I can also see that three £100 payments made following the default were correctly applied to the account balance. I hope that my review of this matter reassures Mrs C of this.

Taking all of this into account, I'm not persuaded that BetterBorrow lent in circumstances where it was inappropriate to do so or otherwise treated Mrs C unfairly. So I'm not upholding Mrs C's complaint. I appreciate this will be disappointing for Mrs C – but I hope she'll understand the reasons for my decision.

My final decision

My final decision is that I'm not upholding Mrs C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 10 March 2026.

Georgina Arnott
Ombudsman