

## **complaint**

Mr P complains that Retail Money Market Ltd (trading as RateSetter) did not carry out adequate affordability checks before lending to him and provided him with money he couldn't afford to repay. He also complains that a large arrangement fee was added to the loan.

## **background**

Mr P entered into a fixed sum loan agreement with RateSetter in 2015. He says that had adequate checks been carried out this loan would not have been provided. At the time of the loan he had other debts outstanding and says he was at the limit on his credit cards and overdraft. He also complains that a large arrangement fee was added to his loan.

RateSetter says that in March 2015, Mr P applied for a £12,000 loan repayable over 48 months. It says that when assessing an application it considers several factors including credit profile, credit history and affordability. It says that Mr P's credit information showed that he had not missed any repayments or defaulted in the previous six months and that he hadn't any judgements against him. It says all minimum lending requirements were met.

RateSetter says that the loan interest rate is calculated including the loan arrangement fee. It says Mr P contacted it before accepting the loan to ask if the fee needed to be repaid if the loan was repaid early and it was confirmed that the fee was payable if the loan was repaid after the 14 day cooling off period.

Our adjudicator did not think that sufficient affordability checks were carried out before RateSetter lent to Mr P. He noted that Mr P declared his income and that his credit file was checked but said that he had not seen any evidence that Mr P's outgoings were assessed. He said that given the size of the loan he thought more should have been done to ensure it was affordable for Mr P. Because of this he recommended the interest and charges be refunded along with 8% interest.

RateSetter did not accept our adjudicator's view. It said that Mr P declared his income as £1,800 and said that the loan was to be used to consolidate his credit cards. It said that Mr P then didn't use the loan for the purpose he said he would. It said it had adequately assessed Mr P's application.

## **my provisional conclusions**

I issued a provisional decision on this complaint. I concluded in summary:

- Mr P entered into a loan agreement with RateSetter in March 2015. The loan agreement clearly set out the loan fee, interest rate and total amount payable so I thought that Mr P was provided with the information he needed to make an informed decision;
- before the loan was provided information about Mr P's income was gathered and it was reasonable that RateSetter relied on this;
- information about Mr P's other debts was gathered and details of three credit card balances, a loan, overdraft and another debt were recorded. The total debt amount was similar to that shown on Mr P's credit check;

- Mr P's application said the loan was for debt consolidation and the loan amount matched the total amount declared on Mr P's credit cards. I found it reasonable to accept RateSetter believed Mr P's intention was to use the loan to repay his credit cards;
- had the loan been used to repay Mr P's credit cards he would still have been left with other debts and so payment towards these needed to be taken into account. Looking at the credit file there were monthly payments of just over £300 recorded. Mr P's declared income was £1,800 so this left around £1,500. The loan repayments were just under £400 leaving £1,100;
- information about Mr P's other expenses was requested and he declared that he was living with his parents and had no dependents. Therefore I didn't find it unreasonable to accept that he could have limited outgoings and based on his remaining disposable income I did not find that this should have raised concerns;
- the credit file information gathered by RateSetter showed that Mr P was maintaining his repayments and this was also supported by the more recent credit file that Mr P provided;
- Mr P had no recent defaults prior to the loan and although he had made use of payday loans these had been settled.

Having considered the information gathered I did not find that this raised sufficient concerns to have required further checks to have taken place. Therefore I did not find that I had enough evidence to uphold this complaint.

Mr P didn't accept my provisional decision. He reiterated that he felt RateSetter didn't carry out sufficient checks before the loan was provided. He said he had spent the maximum on his credit cards and overdraft and this should have raised concerns. He said that the provisional decision made no mention of his gambling transactions despite these being of a substantial amount.

Mr P said that loan was a large amount compared to his income and that he had large debts at the time. He didn't think the regulations regarding assessing creditworthiness had been followed. He said his credit reports showed his debt had increased in the previous months and that he had been applying for other loans. He said that had his bank statements been requested it would have shown he had a mortgage and was gambling. He said due to his circumstances he couldn't live in his home and moved back to his parents as he couldn't afford his costs of living.

Mr P said that at the time of the loan he was paying £600 each month on his credit cards and that this should have been factored into his expenses. He was also paying £180 each month for travel. He didn't feel that a thorough investigation had been undertaken before delivering the provisional decision.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In my assessment I have considered the relevant guidelines and legislation including those which Mr P has drawn my attention to. My decision is based on what I consider fair and reasonable given the individual circumstances of the complaint.

I have looked again at this complaint given the information provided by Mr P in response to my provisional decision. However my decision hasn't changed.

I understand that Mr P believes further checks should have taken place given the size of the loan and the debt he already had. But I think that proportionate checks were carried out to assessment credit worthiness given the credit sought. I say this because before the loan was provided RateSetter gathered information about Mr P's income and his outstanding credit commitment as well carrying out a credit check.

Mr P declared a monthly income of £1,800 and based on the information gathered I find it reasonable that RateSetter relied on this.

Mr P provided information setting out that he had £12,000 of credit card debt, £8,000 of personal loans and £1,000 overdraft. This information was supported by the credit check. While I can see that Mr P had debt of around £21,000 at the time and was also making use of payday loans, I also note the proposed intention of the loan was debt consolidation and that the payday loans on his credit report had been settled.

The loan amount was the same as the amount Mr P had outstanding on credit cards and so I find it reasonable to accept that RateSetter believed his intention was to use the loan to repay his credit cards and therefore reduce his costs. Mr P didn't do this but I cannot say that RateSetter should have been aware he wouldn't do what he had said he would.

Mr P did have outstanding debt and this needed to be taken into account when assessing affordability. Accepting that the credit cards would be repaid by the new loan (and I note while he did have a substantial amounts outstanding he was keeping within his limits), this left Mr P with other loans to make repayments towards. Based on the credit check carried out by RateSetter this showed he was making monthly payments of around £300. This gave a monthly disposable income of around £1,500 which after the loan repayments would leave around £1,100 for his normal living costs.

The other information in the credit report received by RateSetter didn't raise concerns that meant I would have expected further investigation to take place.

Mr P has said that although he said he was living with his parents he was still paying a mortgage. I have looked through Mr P's bank statements and note the payment he is referring to. However, based on the information Mr P provided when he applied for the loan I don't find it unreasonable that RateSetter accepted his income was sufficient to cover his credit commitments as shown in his credit report and the loan repayments assuming he used the loan for debt consolidation. Even taking this mortgage payment into account, Mr P would still have around £650 for his living costs each month.

Mr P has said that his gambling transactions weren't considered in my provisional decision. I can see that Mr P was spending large amounts gambling at the time of the loan. However there is nothing to suggest he had told RateSetter about his gambling and I don't think it reasonable to have expected RateSetter to have been aware of this based on the information Mr P did provide.

I accept that had Mr P's bank statements been requested then RateSetter would have realised Mr P was gambling and may have considered his application differently in light of this. However, based on the information Mr P provided when he applied for the loan I think the checks carried out were proportionate. RateSetter was not required to ask for copies of Mr P's bank statements and in this case I don't find it unreasonable that these weren't requested. I think the information Mr P provided was sufficient for RateSetter to make a fair assessment of the affordability of the loan without the statements.

I understand the Mr P didn't use the loan to consolidate his debt and that this increased his indebtedness. However, I don't think RateSetter would not have been reasonably aware that the loan would not be used for consolidation of debts.

RateSetter are required to treat customers in financial difficulties sympathetically and positively and I would expect Mr P to be treated this way in any ongoing discussions about his debt.

Because of the comments made above I do not find I can uphold this complaint.

### **my final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 18 May 2019.

Jane Archer  
**ombudsman**