

## **complaint**

Mr M complains that Inventive Finance Limited (trading as Ladder Loans) gave him a loan that he couldn't afford to repay.

## **background**

Mr M was given a single loan by Ladder Loans. He borrowed £1,000 in July 2013, and agreed to repay this by 12 monthly instalments of £157.67. Although Mr M faced some problems repaying this loan, his balance was cleared in February 2015 and his loan closed.

Mr M's complaint has been assessed by one of our adjudicators. He didn't see enough evidence to confirm that Ladder Loans had done sufficient checks. But he thought that the checks Ladder Loans should have done wouldn't have suggested that Mr M couldn't afford the loan. So he didn't think the complaint should be upheld.

Mr M disagreed with that assessment so has asked, as he is perfectly entitled to, that his complaint be decided by an ombudsman.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loan was offered.

Ladder Loans was required to lend responsibly. It needed to make checks to see whether Mr M could afford to pay back the loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr M was borrowing, and his lending history, but there was no set list of checks Ladder Loans had to do.

Ladder Loans has shown us the information it recorded before lending to Mr M. It asked him for details of his normal income. And it compared this against average household expenditure data provided by the Office of National Statistics (ONS). It also checked Mr M's credit file before giving him the loan. I've reviewed the results of that check and they don't show anything of concern to the lender such as adverse information or any apparent reliance on credit.

The loan that Mr M took was repayable over 12 months. So the amount he needed to repay each month was much smaller than if he'd taken a normal payday loan. But, of course, he was committing to making those repayments for a far longer period.

This was the first (and only) loan that Mr M took from Ladder Loans. Considering the amount that he said he was earning each month, and what he needed to repay, I think it would have been reasonable for Ladder Loans to do some basic checks on his disposable income. Although I've seen that Ladder Loans used data provided by the ONS to calculate this, I don't think that is sufficient. The regulations at the time required lenders to conduct a "*borrower-focussed test*". So I think Ladder Loans needed to gather some specific data about Mr M's actual expenditure, rather than the general data it used. I don't think the checks Ladder Loans has told us about were sufficient.

But, to be clear, I only think it would have been proportionate for Ladder Loans to have asked Mr M for information about his normal living costs, and any regular financial commitments. I don't think the circumstances of the loan, including the credit checks results, suggested it needed to dig deeper by asking specifically about other short term lending, or taking steps to independently verify any information Mr M would have provided.

Although I don't think the checks Ladder Loans did were sufficient, that in itself doesn't mean that Mr M's complaint should succeed. I'd also need to be persuaded that what I consider to be proportionate checks would have shown Ladder Loans that Mr M couldn't sustainably afford the loan. So I've looked at Mr M's bank statements, and what he's told us about his financial situation, to see what better checks would have shown Ladder Loans.

Mr M told Ladder Loans that he was earning £1,400 per month. I have looked at Mr M's bank statements and these suggest that his regular monthly expenditure was less than £700. Mr M has told us that he doesn't think his bank statements show the whole picture and that his normal expenditure was just under £1,000. I can't find evidence to support what Mr M has told us about his expenditure. But even if I accepted his estimate, that would still mean he had around £400 left over each month after paying his normal living costs – and from my analysis I think that figure is closer to £700. I think this is what Ladder Loans would have seen from what I consider to be proportionate checks. That would suggest that the repayments of just over £150 each month were comfortably affordable.

I appreciate that Mr M's financial position was actually much worse. He was borrowing from a number of other short term lenders. And he appears to have been gambling heavily too. But this wasn't information he shared with Ladder Loans when he was asking for the loan. And I don't think it's something that Ladder Loans should have discovered for itself from the checks it needed to do. So I don't think it was wrong for Ladder Loans to give this loan to Mr M.

### **my final decision**

For the reasons given above, I don't uphold the complaint or make any award against Inventive Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 May 2018.

Paul Reilly  
**ombudsman**