

complaint

Mr S is unhappy with Retail Money Market Ltd (trading as RateSetter). Mr S thinks it acted irresponsibly when it gave him a loan. Mr S said he shouldn't have been given the loan as it was unaffordable, and he couldn't pay it back.

background

Mr S borrowed £12,500 and in doing so agreed to repay a total amount of £13,838.40 over 36 months. This meant Mr S would need to repay £384.40 a month. Mr S said he couldn't afford this, and it's caused him financial difficulty. He said if RateSetter had carried out reasonable checks, it would've identified that he had a serious gambling addiction and that he'd taken out other large loans to pay for his habit.

RateSetter said it followed its normal procedure and it acted in line with all the usual lending criteria it applies to such borrowing. It said it carried out affordability and credit checks to ensure it was right to lend to Mr S. Mr S didn't accept this and brought his complaint to this service.

Our investigator didn't uphold the complaint. He said RateSetter did carry out reasonable and proportionate affordability checks before approving the loan. He said RateSetter looked at the cost of credit, Mr S's existing financial commitments and his financial position at the time. Our investigator said the credit check done through a credit reference agency had shown Mr S with a good high credit score. In relation to Mr S's existing outgoings there were no missed payments, defaults or county court judgements.

Our investigator didn't think it was reasonable to expect RateSetter to know that Mr S had a gambling addiction and that the loan was being used in this way. Mr S hadn't disclosed this information to it. And he didn't think it needed to carry out further detailed checks to find this out as Mr S now suggests. Our investigator said it was clear Mr S had been able to maintain the repayments since this loan was taken out, including making overpayments. So, he didn't think there was any early indication to RateSetter that Mr S was in financial difficulties or unable to afford the loan.

Overall, our investigator thought that RateSetter was unlikely to have considered the lending was unaffordable – even if it had done more checks. Mr S didn't accept this, and he asked for his complaint to be passed to an ombudsman for a final 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.

I want to assure Mr S that I've looked at all of the information and considered everything he has said very carefully. But I don't think there's a great deal I can add to what our investigator has said already.

For me to uphold this complaint, I'd have to be persuaded that RateSetter didn't carry out reasonable and proportionate checks before lending Mr S the money.

I've considered the checks RateSetter did undertake. I'm satisfied it asked Mr S for information about his personal situation, his income and it reviewed Mr S's credit file to check his payment history and existing commitments.

As far as I can see, Mr S had a good credit record at the time he took out the loan. He kept up with repayments and there are no signs of any problem debts – such as defaults, county court judgements or excessive indebtedness – RateSetter had checked these points. There was no evidence of any significant short-term borrowing. Mr S was keeping up with repayments so, there was no record of any issues with Mr S keeping on top of his bills.

RateSetter did get a credit check done through a credit reference agency. The details provided from this show Mr S had a good credit score. So, there was no poor credit history or low credit score for RateSetter to find when it did the checking. Mr S was also in a secure job with a good income.

I appreciate Mr S said he has a gambling addiction and was using the money to pay for his habit. I've no reason to doubt what he's said. But I don't think RateSetter could reasonably have known about that at the time he requested the loan, from the evidence I've seen.

Mr S has not only been paying this loan since it was taken out, he was also sometimes making overpayments. So, I don't think there would've been any signs to RateSetter that Mr S was having difficulty making his payments either.

On balance, taking everything into account, I think RateSetter acted reasonably when it gave Mr S the loan. I can't see why it should've concluded that the loan was unaffordable to Mr S. So, I don't think I can find it was irresponsible of RateSetter to lend to Mr S in these circumstances. I'm not upholding the complaint or requiring RateSetter to write off the balance or provide a refund.

It seems more recently as though Mr S's situation has deteriorated, I don't know if this is linked to Mr S's gambling addiction, as he's now finding himself in financial difficulties. But at the time the loan was taken out there was no reason not to lend to Mr S. Still, I remind RateSetter of its obligation to exercise forbearance, in these circumstances, going forward.

my final decision

I don't uphold this complaint. I make no award against Retail Money Market Ltd (trading as RateSetter).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 14 October 2020.

John Quinlan
Ombudsman