

The complaint

Mr K complains that Harvey & Thompson Limited (H&T) was irresponsible in its lending to him.

Mr K is represented by a third party but for ease of reference I have referred to Mr K throughout this decision.

What happened

Mr K was provided with three loans by H&T. The first loan was provided in March 2019 and was for £500. A further loan was provided in December 2019, and following this, in March 2022, Mr K was provided with a third loan for £700.

Mr K says that before the loans were provided H&T didn't carry out adequate affordability and credit worthiness checks. He said the loans were unaffordable and unsustainable and he struggled to meet his financial commitments.

H&T issued a final response letter dated 26 July 2023. It said that before providing loans it assessed an applicant's credit worthiness and a full credit score is performed alongside other data verification. It said that the information provided by Mr K and his credit score met its lending criteria.

Our investigator didn't uphold this complaint. She thought the checks carried out by H&T before the loans were provided were reasonable and that these didn't suggest the loans were unaffordable for Mr K.

Mr K didn't agree with our investigator's view.

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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, it just needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

Before the loans were provided H&T gathered information from Mr K about his employment, income and expenses and carried out a credit check. Mr K was asked to provide copies of his bank statements to verify his income and assess his account conduct. Having considered the loan size, term and repayments, I find the checks carried out before the loans were provided were proportionate. However, just because I consider the checks to have been

proportionate that doesn't necessarily mean I think the lending should have been provided. To assess this, I have looked at what the checks showed and whether this raised concerns about the affordability of the loans.

Loan 1: March 2019

The initial loan was for £500 repayable over 21 months with monthly repayments of around £50. Mr K declared a net monthly income of £957 and H&T verified this figure. I have looked at the information provided and can see in the months leading up to this loan application, Mr K was receiving a monthly income of £640 from his employer and monthly benefits of around £364. It is reasonable that Mr K's benefits were treated as part of his income and based on the evidence provided, I find it reasonable that the income of figure of £957 was used in H&T's affordability assessment.

Mr K's application showed his monthly rent was £300. While Mr K declared amounts for travel and housekeeping these were lower than the expected amounts H&T recorded and where this was the case the expected amounts were included in the assessment. I find this reasonable. Mr K's credit report didn't show any defaults in the previous 36 months. I do not find that Mr K's credit check raised concerns that meant further verification was needed and based on the income and expenditure assessment I find that the loan appeared affordable.

Loan 2: December 2019

Mr K took out a second loan in December 2019 which was used to repay the first loan as well as provide additional funds. The loan was for just over £900 and was repayable over 15 months with monthly repayments of around £91.

Mr K's application showed the same net monthly income as recorded in his March application, being £957. This was verified and I find it reasonable that H&T included this amount in the affordability assessment. I have looked at the outcome of the credit check and I do not find that this raised concerns that meant further verification was needed. Having considered Mr K's income and expenses I do not find I can say that the information received by H&T suggested the loan was unaffordable.

Loan 3: March 2022

Mr K repaid his second loan on 1 February 2022 and took out a third loan with H&T in March 2023. This loan was for £700 repayable over 12 months with monthly repayments of around £80. Mr K took out this loan shortly after repaying the previous loan, but as this was only the third loan, and the second was used to repay the first (and provide additional lending), I do not think at this stage there is enough to say that a pattern had emerged that meant this lending shouldn't have been provided.

Mr K's application included a net monthly income of around £1,440 and this was verified through his bank statements. Mr K's credit search showed that he had an active judgement with a value of £1,130. However, based on further evidence received this was historic. Given this was Mr K's third loan I think it right that a review of his bank statements was carried out to understand his income and expenses. But based on this I do not find I can say that the lending appeared unaffordable for Mr K. I can see Mr K repaid this loan in February 2023.

I am sorry to hear of the difficult time Mr K has experienced, but based on the evidence I have seen, I find that H&T carried out reasonable checks before the loans were provided. As these didn't raise concerns that the loans were unaffordable for Mr K 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 K to accept or reject my decision before 4 April 2024.

Jane Archer
Ombudsman