

Complaint

Mrs S has complained about a personal loan Chetwood Financial Limited (trading as “Better Borrow”) which she says was unfairly lent to her. She says the loan was never affordable given her existing debts and the fact that she was on sick leave at the time.

Background

Better Borrow provided Mrs S with a loan for £4,600.00 in January 2023. This loan had an APR of 20.1%, interest, fees and charges of £1,967.72 and a 48-month term. So the total amount payable of £6,567.72 was due to be repaid in 47 monthly instalments of £136.83 followed by 1 final monthly instalment of £136.71.

One of our investigators reviewed what Mrs S and Better Borrow had told us. He thought that Better Borrow hadn’t done anything wrong or treated Mrs S unfairly when it provided this loan and so didn’t recommend that the complaint be upheld.

Mrs S disagreed and asked for an ombudsman to review the complaint.

My findings

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mrs S’ complaint.

Having carefully considered everything, I’m not upholding Mrs S’ complaint. I’ll explain why in a little more detail.

Better Borrow needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice, what this means is that Better Borrow needed to carry out proportionate checks to be able to understand whether Mrs S could afford to make her repayments before providing this loan.

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. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to provide loans to a customer irresponsibly.

Better Borrow says it approved Mrs S’ application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against

statistical data and information on a credit search it carried out which showed Mrs S' existing commitments were relatively well maintained at the time. Mrs S' declaration of income was cross-checked against information provided by credit reference agencies on the funds going into her account each month.

In Better Borrow's view all of the information it gathered showed that Mrs S could afford to make the repayments she was committing to. On the other hand, Mrs S has said she already had a lot of debt was on sick pay at the time and so she couldn't afford this loan.

I've carefully thought about what Mrs S and Better Borrow have said.

As Better Borrow asked Mrs S about her income and expenditure and also carried out a credit check, it's clear that Better Borrow did obtain a reasonable amount of information before it decided to proceed with Mrs S' application.

Having looked at the credit check, Mrs S had a low amount of existing debt. She only owed a credit card balance of around £550 on a credit card which had a credit limit of £5,600.00. While Mrs S has referred to having a hire-purchase agreement at the time of this loan, this was settled just prior to this application. Equally, while Mrs S may have had a further loan this didn't show up on the credit search which Better Borrow carried out.

I accept that Mrs S' actual circumstances may not have been fully reflected either in the information she provided, or the information Better Borrow obtained. I know that she said that she wasn't earning the approximately £1,900.00 inputted on her application. However, whether this was inputted directly or through the third-party search engine Mrs S used, this is what was declared for her income. This was also consistent with the information Better Borrow obtained on the amount of funds going into Mrs S' bank account each month.

I appreciate that Mrs S has said that she was only receiving sick pay and that it was her husband's salary that was being paid into the account. But Better Borrow simply wouldn't have known this. And this is unlikely to have shown up in any third-party checks either. Furthermore, as the funds going into Mrs S' account was consistent with her declaration and this was a first loan Better Borrow was providing to Mrs S, I'm satisfied that Better Borrow was entitled to rely on what Mrs S had inputted at that stage .

Given the circumstances here, the lack of obvious inconsistencies together with the assurances Mrs S made and the fact that the monthly payments appeared affordable, I don't think that Better Borrow did anything wrong when providing this loan to Mrs S. It carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So while I'm sorry to hear that Mrs S has been unwell and I'm also sorry to learn of her difficulty making her payments, I'm satisfied that Better Borrow didn't treat Mrs S unfairly or unreasonably when lending to her. And I'm not upholding Mrs S' complaint. I appreciate this is likely to be very disappointing for Mrs S – as she clearly feels strongly about this matter. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Mrs S' complaint, I would remind Better Borrow of its obligation to exercise forbearance and due consideration, given what Mrs S has now said about her position, should she be experiencing financial difficulty making her payments going forward when collecting these payments from her.

My final decision

For the reasons I've explained, I'm not upholding Mrs S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 8 April 2024.

Jeshen Narayanan
Ombudsman