

The complaint

Mr C is being represented by a claims manager. He's complaining about TM Advances Limited because he says it lent irresponsibly in granting him a loan he couldn't afford.

What happened

In September 2021, Mr C took a loan with TM Advances for £2,500 with a monthly payment of £249. His application recorded approximately £1,500 of this amount was to be used to repay existing debt and the remainder for home improvements.

Our investigator ultimately didn't conclude the complaint should be upheld. He felt TM Advances should have carried out detailed checks of Mr C's income and expenditure in view of his background and existing arrangements, but he felt these checks would have showed the loan repayments were affordable.

Mr C didn't accept the investigator's assessment, but his representative made no further comments or submissions.

The complaint has now been referred to me for review.

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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

Before lending to Mr C, TM Advances was required to carry out appropriate checks to ensure the repayments were affordable and sustainable. To decide whether this requirement was met, the key questions I need to consider are:

- Did TM Advances complete reasonable and proportionate checks to establish that Mr C would be able to repay the loan in a sustainable way?
- If so, was the decision to lend fair and reasonable?
- If not, what would reasonable and proportionate checks have discovered, and would the decision to lend have been fair and reasonable in light of that information?

TM Advances has described the information it gathered to assess whether Mr C's loan was affordable before it was approved. This included:

- information contained in his application, including residential status, employment

status and his income, which was separately verified using bank statements for the previous six months;

- information obtained from a credit reference agency (CRA), giving details of his existing credit arrangements and any past issues with credit, including missed payments and defaults; and
- an assessment of his expenditure.

I'm conscious Mr C had completed an IVA only a few months prior to this loan. He also had existing credit commitments, although I note TM Advances' credit check showed he was up to date with payments on these accounts. But, on balance, I do think a detailed assessment of his income and expenditure was required. So I've reviewed the bank statements for the months prior to the loan to establish the sort of information I think TM Advances should have considered and to assess whether the loan was affordable.

In making his application, Mr C declared his income was £2,767. I note he says this included overtime and it's not clear TM Advances asked about this at the time. But his bank statements showed he'd consistently been earning a similar amount – sometimes more – for the previous six months and I think it was reasonable to use this figure when assessing affordability.

In respect of Mr C's expenditure, excluding credit commitments, the investigator assessed this to be just short of £1,800 and this seems a reasonable conclusion from the evidence provided. When Mr C's existing credit commitments were also taken into account, it would have seemed that he had a monthly disposable income of more than £500. I think this means the monthly loan repayment would have appeared comfortably affordable, particularly if he was paying off other debts and reducing his outgoings accordingly.

After considering the evidence carefully, I don't think there was any indication Mr C was struggling financially at this point. He wasn't heavily indebted compared to his income and seemed to be managing his existing commitments well. Further, a detailed assessment of his income and expenditure would reasonably have shown he had sufficient disposable income to afford the repayments. On this basis, I think it was reasonable for TM Advances to conclude the loan was affordable.

It's for these reasons that I'm not upholding Mr C's complaint. I realise this outcome will be disappointing for him, but I'm satisfied it's fair and reasonable in the circumstances and I hope the additional explanation is helpful.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 16 May 2024.

James Biles
Ombudsman