

The complaint

Mr R says Salad Finance Limited, trading as Salad Money, irresponsibly lent to him.

What happened

Mr R took out a loan for £1,000 over 18 months on 23 June 2024. The monthly repayments were £85.39 and the total repayable was £1,536.38.

Mr R says the loan was unaffordable. He was using payday loans and was up to his limit on all cards. He was paying 10+ mobile phone contracts as he was buying and selling phones to try to make ends meet. His mental and physical health has suffered.

Salad Money said it carried out proportionate checks that showed the loan was affordable for Mr R.

Our investigator did not uphold Mr R's complaint. He didn't think the lender's checks were proportionate but found it could fairly have made the same decision with better checks.

Mr R disagreed with this assessment and asked for an ombudsman's review. He said at the time of borrowing he was up to his limits on all his cards and had been for some time. He was making multiple cash withdrawals which would highlight a gambling problem and using payday loans. As he couldn't get any further credit he started obtaining mobile phones and selling them which is what the extra money highlights.

He says given this was subprime lending with high interest rates, the lender should look into things in more depth than say the checks for a loan of the same value from a high street bank.

I planned to uphold Mr R's complaint so I issued a provisional decision. An extract follows and forms part of this final decision.

Extract from my provisional decision

I can see Salad Money asked for some information from Mr R before it approved the loan. It asked for about his employment, residential and marital status. It checked public records for notices of bankruptcy, CCJs or insolvency. It used open banking data from the previous six months to assess his income and outgoings. I cannot see it asked about the purpose of the loan.

From these checks combined Salad Money concluded Mr R could afford to take on the loan.

These checks were proportionate but I am not persuaded that Salad Money made a fair lending decision based on the results of its checks.

It seems Salad Money's decision to lend focused solely on its pounds and pence affordability calculations. But it was required to do more than this, it needed to be certain the loan would not cause Mr R any financial harm and that he would be able to repay it sustainably – so without borrowing to repay or suffering some other adverse financial consequence over the

term of the loan.

The information Salad Money gathered showed it was most likely Mr R was struggling financially. Looking at three-month averages prior to application, I can see Mr R was already spending around 40% of his salary on unsecured credit repayments. I think this ought to have concerned Salad Money. As the industry knows this level of spend on credit can be an indication of pending financial difficulties. And there were other data points that to me confirmed Mr R was already under financial pressure - he was repeatedly using payday loans and in the month prior to his application his regular expenses and credit commitments combined exceeded his salary by £326. Month on month his spend on credit was increasing and I have seen no evidence Salad Money had information to allow it to conclude this trend was about to reverse.

As Salad Money noted Mr R had other erratic sources of income from technology firms though it did not take this income into account. He has explained he was buying mobile phones on contracts and selling them to make ends meet. I think Salad Money could have discovered this as it also knew his spend on telecoms was around £400 a month. But as I've said, even without further investigation into such income and outgoings, it had enough information to conclude there was a high risk that Mr R would not be able to repay its loan sustainably – so without borrowing to repay or suffering some other adverse financial consequence.

It follows I find Salad Money was wrong to lend to Mr R. I haven't seen any evidence that it acted unfairly or unreasonably towards Mr R in some other way.

I then set out what Salad Money would need to do to put things right.

Both parties responded before the deadline. Mr R accepted my provisional decision. As did Salad Money. It asked whether Mr R intend to continue to pay the current monthly repayment to settle the outstanding capital, or if he needed a reduced payment plan.

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.

Information about our approach to complaints about irresponsible/unaffordable lending is on our website.

As neither party submitted any comments or new evidence for me to consider, I have no reason to change the findings or outcome in my provisional decision.

Salad Money asked how Mr R wishes to repay the capital that will be outstanding – it should contact him directly to discuss this.

It follows I find Salad Money was wrong to lend to Mr R.

Putting things right

It's reasonable for Mr R to repay the capital amount that he borrowed as he had the benefit of that money. But he shouldn't pay interest and charges on a loan that shouldn't have been given to him.

So Salad Money should:

- Remove all interest, fees and charges on the loan and treat all the payments Mr R made as payments towards the capital.
- Work with Mr R to agree an affordable repayment plan for the outstanding capital balance, remembering its obligation to treat him fairly and with forbearance and due consideration.
- Remove any adverse information recorded on Mr R's credit file in relation to the loan once any capital balance is repaid.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Mr R in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

I am upholding Mr R's complaint. Salad Finance Limited, trading as Salad Money, must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 24 December 2024.

Rebecca Connelley
Ombudsman