

## **The complaint**

Ms C complains that Lending Works Limited irresponsibly gave her a fixed sum loan agreement she couldn't afford to repay.

## **What happened**

In August 2017, Ms C applied for a loan with Lending Works. Her application was approved and she was given a loan for £4,000. Ms C was required to repay 60 monthly repayments of around £80. The total repayable, including the arrangement fee was £4,828.92.

Ms C complained to Lending Works in October 2022 to say that the loan had been unaffordable from the outset and it shouldn't have been given to her. Lending Works didn't think it had acted unfairly in approving the loan. It said it had completed adequate affordability checks which demonstrated Ms C could afford the regular repayments.

Our investigator didn't recommend the complaint be upheld. She thought Lending Works had completed reasonable and proportionate affordability checks. She considered that Lending Works had made a fair lending decision.

Ms C didn't agree, so the complaint has been passed to me for a final decision.

## **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.

Prior to granting Ms C with credit, Lending Works needed to ensure the borrowing was affordable to her. There isn't a set list of checks that Lending Works needed to undertake. However, any checks it did needed to be proportionate to the specific circumstances of that lending decision. To decide what would be proportionate, Lending Works needed to take into consideration things such as (but not limited to): the total repayable, the size of the regular repayments, the cost of the credit and Ms C's circumstances.

The application for this loan went through multiple stages. This is because Lending Works required further information and evidence from Ms C prior to approving the loan. Overall, I'm satisfied that Lending Works completed reasonable and proportionate checks. I say this because as part of the application Ms C declared details of her income and expenditure on the application, Lending Works then spoke to her on the phone to get further clarity on these figures and it then asked her to submit copies of her bank statements as well as her mortgage paperwork to verify what she had said. It also completed a credit check to see what existing credit commitments she had. I think this gave Lending Works a sufficiently detailed picture of Ms C's financial circumstances at the time of the application.

The credit check revealed she held two credit cards with a combined credit limit of £4,950. Ms C said that the purpose of taking out a loan through Lending Works was to consolidate her debts. So, I don't think it was unreasonable for Lending Works to assume the majority of her debts on her credit cards would be repaid by its loan.

Using the bank statements and the other information Ms C provided, Lending Works calculated Ms C's income to be around £1,500 per month and her expenditure around £1,350 (after paying the Lending Works loan). It therefore concluded she had sufficient income to be able to afford the repayments.

Having reviewed the statements Ms C provided (and the ones she's sent to our service), it appears her income was significantly higher than Lending Works had calculated. Ms C was in receipt of a regular salary, benefits, child maintenance from her ex-partner and a further fortnightly payment of around £450 which we've asked her for clarity on, but she hasn't told us what that was for. In total her monthly income appears to have been around £3,000. This doesn't take into account regular payments her partner was paying into her account which ranged between £240 and £1,000 for the months I've seen. From what Ms C has provided, it appears her income was more than sufficient to cover her essential committed expenditure.

I think based on what Lending Works could see, I'm satisfied it made a fair lending decision. Even if I considered that Lending Works' affordability checks didn't go far enough, I've not seen anything to demonstrate that the loan was unaffordable for Ms C in any event. I note from the copy of the credit file she's provided us that she took out a number of additional credit commitments after taking out this loan. It's possible the accumulative effect of that additional borrowing caused her financial difficulty, however, Lending Works couldn't have reasonably known she would take out further borrowing so soon. And at the time she applied, it appears this loan was affordable.

I'm therefore not persuaded that Lending Works made an unfair lending decision when granting this loan. However, I remind it of its obligation to treat Ms C fairly now that it is on notice that she may be in financial difficulty.

### **My final decision**

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 11 September 2023.

Tero Hiltunen  
**Ombudsman**