

## The complaint

Miss J complained through a representative that FUND OURSELVES LIMITED (“Fund Ourselves”) advanced her loans without carrying out sufficient affordability checks.

## What happened

Miss J was advanced two loans and below is a table summarising her borrowing.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	highest repayment
1	£150.00	23/11/2021	15/12/2021	4	£73.80
2	£250.00	06/01/2022	outstanding	4	£119.50

Fund Ourselves has said that Miss J had some problems repaying her final loan and it is currently being repaid through a debt management plan.

Following Miss J’s complaint Fund Ourselves considered it and didn’t uphold it because it said the loans were affordable for her, based on its checks. Miss J’s representative didn’t agree and instead referred the complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator who didn’t think Miss J’s complaint should be upheld. He said this because proportionate checks had been carried out and there was no indication that either Miss J was in financial difficulties, or the loans couldn’t be repaid in a sustainable manner.

Miss J’s representative didn’t agree and asked for the case to be reviewed. As no agreement has been reached, the case has been passed to me to resolve.

## 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.

We’ve set out our general approach to complaints about this type of lending - including all the relevant rules, guidance and good industry practice - on our website.

Fund Ourselves had to assess the lending to check if Miss J could afford to pay back the amounts she’d borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Fund Ourselves’ checks could’ve taken into account a number of different things, such as how much was being lent, the size of the repayments, and Miss J’s income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Fund Ourselves should

have done more to establish that any lending was sustainable for Miss J. These factors include:

- Miss J having a low income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- The amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Miss J having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Miss J coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Miss J. As there were only two loans granted the adjudicator didn't think this applied to Miss J's complaint and I agree.

Fund Ourselves was required to establish whether Miss J could sustainably repay the loans – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Miss J was able to repay her loans sustainably. But it doesn't automatically follow that this is the case.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Miss J's complaint. Having considered all the information provided, I am also concluding that Fund Ourselves carried out proportionate checks and so it doesn't need to take any further action.

As part of his application, Miss J declared a monthly income for both loans of £2,001. Fund Ourselves has shown that Miss J's income was checked through a report provided by a credit reference agency. The results of that check indicated the amount Miss J declared was likely to be accurate.

Miss J was also asked to declare her outgoings across a number of different variables, such as outstanding debt, rent and travel. She declared these costs to be £810 for both loans.

Miss J said she didn't have any housing costs but also declared she lived at home with parents. So, the fact there were little costs could be explained by her living arrangements. And so, given these were the first loans that Miss J had been granted, I do think it was reasonable for Fund Ourselves to have relied on the information she provided.

Fund Ourselves believed, based on the information provided, that Miss J had enough disposable income to afford the largest monthly loan repayment she was committed to of £119.50. Therefore, it would've been reasonable for Fund Ourselves to believe the loans to be affordable for Miss J.

Before the loans were approved Fund Ourselves also carried out a credit search and it has provided the results it received from the credit reference agency. It is worth saying here that although Fund Ourselves carried out credit searches, there isn't a regulatory requirement to do one, let alone one to a specific standard. But what Fund Ourselves couldn't do is carry out a credit search and then not react to the information it received.

Having looked at the results, there wasn't anything that I can see that would've led Fund Ourselves to have either declined these applications or to have prompted it to have carried out further checks.

Both credit searches showed Miss J hadn't defaulted on any accounts within the last 12 months and hadn't had any accounts enter delinquency within that time either. It also knew that Miss J didn't have any County Court Judgements. So, there wasn't anything to suggest that Miss J was having problems maintaining her existing credit commitments.

I've also looked at the repayment for loan one to see whether that ought to have prompted further checks. I can see that loan one was repaid much quicker than planned and without any obvious repayment problems. So, I don't think when loan two was granted the way loan one had been repaid would've given Fund Ourselves cause for concern.

The lending chain also wasn't large enough to have made Fund Ourselves conclude that Miss J was using the loans in an unsustainable manner.

This also means, that I don't yet think it had reached the point in the lending relationship where Fund Ourselves would've concluded it needed to have verified what Miss J was telling it. I appreciate that Miss J's representative has provided copies of her bank statements. But in this case, taking account of the two loans, what Miss J declared it would've been disproportionate for Fund Ourselves to have viewed them.

Overall, Fund Ourselves carried out proportionate checks before each loan was approved - which showed Miss J could afford the repayments she was committed to making. I'm also satisfied it was entitled to rely on the information Miss J declared about her income and expenditure. Finally, there wasn't anything else to suggest these loans would either be unaffordable or unsustainable for her.

So, I don't think Fund Ourselves did anything wrong when it approved the loans for Miss J and it therefore follows that I don't uphold the complaint.

### **My final decision**

For the reasons I've explained above, I'm not upholding Miss J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 22 November 2023.

Robert Walker  
**Ombudsman**