

## **Complaint**

Mr M has complained about a personal loan Chetwood Financial Limited (trading as “Better Borrow”) provided to him.

He says he shouldn’t have been given the loan as he applied for it at a time when he was desperately struggling and had a poor credit rating.

## **Background**

Better Borrow provided Mr M with a loan for £8,000.00 in May 2022. This loan had an APR of 28.9% and the total amount to be repaid of £14,274.29, which included interest fees and charges of £6,274.29, was due to be repaid in 59 monthly instalments of £237.90 and a final instalment £238.19.

One of our adjudicators reviewed what Mr M and Better Borrow had told us. He thought that Better Borrow hadn’t treated Mr M unfairly and so didn’t recommend that the complaint be upheld. Mr M disagreed and asked for an ombudsman to review 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 Mr M’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr M’s complaint. I’ll explain why in a little more detail.

Better Borrow needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Better Borrow needed to carry out proportionate checks to be able to understand whether Mr M could afford to repay 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 lend to a customer irresponsibly.

Better Borrow says it agreed to Mr M’s application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out. The credit checks showed Mr M had some

existing debts in the forms of credit cards and a loan but this wasn't excessive in comparison to his income.

In Better Borrow's view all of the information it gathered showed that Mr M could afford to make the repayments he was committing to.

On the other hand, Mr M has said he couldn't afford this loan.

I've carefully thought about what Mr M and Better Borrow have said.

The first thing for me to say is that Better Borrow has provided the details of its credit searches. Better Borrow having carried out credit checks shows that it didn't simply rely on what Mr M said and that it took some steps to check at least some of the information he provided in his application.

Better Borrow searches appear to show that Mr M's existing commitments were relatively well maintained. Crucially, according to the credit searches, Mr M's debt total at the time of the applications was also reasonable in comparison to his income. And there isn't anything else obvious in the information gathered which leads me to think that further checks would have been reasonable and proportionate.

I accept that Mr M's actual circumstances may not have been fully reflected either in the information he provided, or the information Better Borrow obtained. For example, I note that Mr M says he was using 90% of the total existing credit available to him, rather than 78% and he was borrowing from family in order to meet his existing commitments.

I'm sorry to learn that Mr M has had difficulty making his payments. And I can see that he's gone to a lot of trouble to gather further evidence to support his case. I also acknowledge that if Better Borrow had all of the information that Mr M has now provided, Better Borrow might have reached a different answer here.

But the key here thing is that I don't think the circumstances of the lending here warranted obtaining bank statements or the rest of the information Mr M has provided. Particularly as Mr M could have used some of the funds from this loan to reduce his credit card balances.

Given this was a first loan, the funds going into Mr M's account didn't contradict his declared income (Better Borrow cannot have been expected to know that Mr M was borrowing from family) and what was on the credit search, I don't think that a complete review of Mr M's finances, which would effectively had to have happened for Better Borrow to have had this level of information, would have been proportionate.

Equally, it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the circumstances here, and the lack of obvious inconsistencies, I don't think that reasonable and proportionate checks would have extended into the level of checks Mr M is suggesting.

As this is the case, I don't think that Better Borrow did anything wrong when deciding to lend to Mr M - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall and having considered everything, I don't think that Better Borrow treated Mr M unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr M's complaint. I appreciate this is likely to be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

**My final decision**

For the reasons I've explained, I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 20 November 2023.

Jeshen Narayanan  
**Ombudsman**