

## **The complaint**

Mr S complains that Retail Money Market Ltd (trading as “Ratesetter”) unfairly brought about an unaffordable loan for him.

## **What happened**

Ratesetter operated the electronic system in relation to lending which led to Mr S being given a loan in June 2015. The loan was for £2,753.76. The agreement had a 24-month term, an APR of 19.9% and the total amount of £3,568.56, including interest and other charges of £814.80, was due to be repaid in monthly instalments of £148.69.

Mr S complained to Ratesetter saying the loan shouldn't have been approved. Ratesetter didn't agree and said Mr S's application met their minimum lending criteria. Mr S referred his complaint to us which was reviewed by one of our investigators. He thought Ratesetter hadn't done anything wrong or had treated Mr S unfairly. So, he didn't recommend Mr S's complaint be upheld.

As Mr S disagreed with our investigator's view, the complaint has been passed to me to decide.

## **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 explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide this complaint.

Ratesetter needed to carry out proportionate checks to be able to understand whether Mr S could afford to make the monthly payments before bringing about this loan for him. 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 they gather and what they do to verify it – in the early stages of a lending relationship.

But we might think they 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 they didn't continue to lend to a customer irresponsibly.

I've thought about what Mr S and Ratesetter have said. As I understand it, this was Mr S's first application with Ratesetter. Ratesetter asked Mr S for details about his income and carried out a credit check which showed Mr S had some existing credit commitments, with no significant repayment issues on them. The first thing for me to say is about Ratesetter's checks is that I don't think that this was a case of Ratesetter simply accepting an over-optimistic declaration of monthly disposable income at face value. As I've explained, Ratesetter's credit searches did show that Mr S had existing debts. But I don't think that this

in itself demonstrated that Mr S wouldn't be able to make the monthly repayments to this loan.

Equally, as this appears to have been Mr S's first loan with Ratesetter and it was for a relatively low amount with relatively low repayments, I'm satisfied they were reasonably entitled to believe that they wouldn't be increasing Mr S's existing indebtedness in a way that was unsustainable or otherwise harmful. I accept that Mr S says he struggled to make the payments. I'm sorry to hear that. But Ratesetter could only make a reasonable decision based on the information they had available at the time. All Ratesetter could do was take reasonable steps to ensure the payments would be affordable which, for reasons I've already explained, I'm satisfied they did.

I should explain that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. In this case, I don't think Ratesetter did anything wrong when bringing about Mr S's loan. The key thing here is that they carried out reasonable and proportionate checks which suggested the repayments would be affordable.

Overall, I don't think that Ratesetter treated Mr S unfairly or unreasonably when bringing about his agreement. As this is the case and while I sympathise with Mr S for any difficulties he might have gone on to have, I'm not upholding his complaint. I appreciate this will be very disappointing for Mr S. But I hope he'll understand the reasons for my decision and he'll at least feel his concerns have been listened to.

In closing, I understand that Mr S is unhappy that he was asked to pay an outstanding instalment on this loan. I gather though that Mr S's account was assigned to a third-party, who corresponded with him about this. As the third-party is regulated in their own right and is responsible for their own actions, Mr S will have to direct his concerns to them in the first instance.

### **My final decision**

For reasons I've set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 10 November 2023.

Daniel Picken  
**Ombudsman**