

The complaint

Mrs D complains that Fair for You Enterprise CIC ('Fair for You') irresponsibly granted her two loans she couldn't afford to repay.

What happened

In September 2020, Mrs D applied and was approved for a fixed sum loan agreement provided by Fair for You. Under the terms of the agreement, Mrs D was required to make 13 four-weekly payments of £34.66. The total repayable under the agreement was £441.04. And in October 2021, Mrs D entered into a second agreement, this time requiring 18 monthly instalments of £37.77. Both loans were linked to specific products Mrs D intended to purchase.

The first loan was settled in March 2021. Mrs D got into difficulty with the second loan soon after taking it out.

Mrs D says that Fair for You didn't complete adequate affordability checks. She says if it had, it would have seen that the loans weren't affordable. Fair for You didn't agree, saying for each loan it carried out a thorough assessment which included checks that were fair and proportionate to ensure the credit was affordable.

Our adjudicator didn't recommend the complaint be upheld. He thought Fair for You didn't act unfairly or unreasonably by approving each of the two loan agreements.

As Mrs D didn't agree her 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.

Fair for You will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Before granting each of the loans, I think Fair for You gathered a reasonable amount of evidence and information from Mrs D about her ability to repay the loan. I say this given that Fair for You carried out a credit check and also an income and expenditure assessment for each loan. I've seen a summary of the credit check as well as the detailed income and expenditure checks.

Although at the time of each application Mrs D had missed occasional payments in the previous twelve months, Fair for You didn't find that she'd had any defaults. On one occasion where she had got into difficulty with some other borrowing she had got back on track soon after and closed that particular account. So, after allowing for her existing credit

commitments and her new lending, Fair for You thought there would be enough disposable income for the new lending to be affordable for each of these loans.

So, bearing in mind the amount of credit, the relatively low level of payments on each loan and the repayment period terms, I think the checks carried out by Fair for You were proportionate.

However, just because I think Fair for You carried out proportionate checks for each loan, it doesn't automatically mean it made a fair lending decision. So, I've thought about what the available evidence and information at the time showed.

At the time of her first application Mrs D had told Fair for You that she had a total income each month of around £1,700. For her second loan application, I've seen that Fair for You took into account Mrs D's good payment record on the first loan. Mrs D also told Fair for You her total monthly income had increased to just over £1,900 per month.

Have seen the income and expenditure checks Fair for You carried out for each loan, it seems likely that Mrs D would have adequate funds available each month to fund the loan repayment whilst still leaving her with a reasonable amount of disposable income. Fair for You therefore thought that each of the loans was likely to be affordable.

Because Mrs D was unhappy with our adjudicator's initial finding she sent in some further evidence in the form of bank statements from before each loan was taken out. At the time of each loan I can see that Mrs D was making regular use of her bank overdraft facility and that she'd had direct debits returned from time to time. The statements also broadly support the level of income Mrs D had said she was receiving. I can also see that she was using her income to repay sums to family members and also herself. But what I'm not able to say from what I've seen is that there's enough evidence in these statements to show or suggest that Mrs D was struggling financially to the extent that she would be unable to manage the repayments on each loan, keeping in mind the relatively low monthly repayments she'd be required to make. And whilst Mrs D has also sent us a breakdown of her income and expenditure from July 2021 showing higher outgoings, I don't consider I can rely on that alone as being definitive of her financial situation at the point of each loan. And so I also can't say that it would necessarily have been what Fair for You might have seen when it carried out its credit checks and prepared its own income and expenditure assessments at the time of each loan.

I therefore agree with our adjudicator that the new information Mrs D has sent us unfortunately isn't enough to be able to show that each of the two agreements were unaffordable and that this is something Fair for You reasonably could have been expected to see at the time it carried out each set of checks.

Overall, although I realise this will not be what Mrs D wants to hear, I don't consider that Mrs D's financial circumstances at the time of each loan meant that the monthly repayments would be unsustainable for her to repay.

It follows that based on the available information, I don't think either of these two loans were likely to have been unaffordable to Mrs D. I therefore don't think Fair for You acted unfairly when approving each of these loan applications.

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 Mrs D to accept or reject my decision before 15 September 2023.

Michael Goldberg

Ombudsman