DRN-4707148

The complaint

Mr M is unhappy with the loans he was given by LiveLend and BetterBorrow, who are trading names of Chetwood Financial Limited. For ease, I'll mainly refer to Chetwood Financial in this decision. Mr M complains Chetwood Financial lent to him irresponsibly.

What happened

Mr M has taken out three loans with Chetwood Financial altogether. He took out the first with its LiveLend brand and the second and third with its BetterBorrow brand. Mr M made complaints about his loans to each brand separately but when he referred the matters to the Financial Ombudsman Service, they have been considered as one complaint. I shall do the same in this decision.

In June 2021 Mr M took out a loan for £4,500 with LiveLend – Loan 1. Mr M would need to repay £178 a month over the next three years. If the loan ran to term Mr M would repay £6,402 in total, after interest is added. But Mr M settled the loan early in September 2022, 15 months into the three-year term.

In July 2021 Mr M took out a loan for £5,000 with BetterBorrow – Loan 2. Mr M would need to repay £154 a month over the next four years. If the loan ran to term Mr M would repay £7,392 in total, after interest is added. But Mr M also settled this loan early in November 2021, only 4 months into the four-year term. Mr M applied for this loan using a different address from the one he gave when he applied for his first loan. He also gave details for a different bank account to collect direct debit payments from.

In March 2022, four months after repaying his first BetterBorrow loan, Mr M took out a new loan for £2,500 with BetterBorrow – Loan 3. Mr M needed to repay £140 a month over the next two years. If the loan ran to term Mr M would repay £3,352 in total, after interest is added. But again, Mr M settled this loan early in August 2022, 5 months into its two-year term. Mr M used the same address and bank details as he did for Loan 2.

Our Investigator concluded Mr M's complaint should be upheld in part. In summary, he did not find that Chetwood Financial had acted unreasonably in agreeing to Loan 1. But he thought Chetwood Financial should not have agreed Loans 2 and 3 because Mr M's existing level of indebtedness meant that he couldn't afford to commit to further debt repayments.

Mr M accepted the Investigator's findings. But Chetwood Financial disagreed with our Investigator. As our Investigator was unable to reach a resolution, the matter has come to me to decide. I issued a provisional decision on 12 March 2024. In summary, I provisionally decided not to uphold Mr M's complaint about Chetwood Financial lending irresponsibly.

In my provisional decision I explained that:

'*We've set out our approach to complaints about unaffordable and irresponsible lending on our website. I've taken this into account in deciding Mr M's complaint. When the evidence is incomplete, inconclusive or contradictory, I've made my decision on the balance of* *probabilities – which, in other words, means I've based it on what I think is most likely to have happened given the available evidence and the wider circumstances.*

Having done all of that, I'm not currently persuaded it was unreasonable for Chetwood Financial to agree to lend all three of the loans he borrowed – I'll explain my reasons for each loan below.

Loan 1

Chetwood Financial needed to take reasonable steps to ensure that it didn't lend to Mr M irresponsibly. It should have completed reasonable and proportionate checks to satisfy itself that Mr M would be able to pay the loan in a sustainable way. There is no set list of what reasonable and proportionate checks should look like. 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.

Chetwood Financial did complete some checks to see if the loan was affordable. Chetwood Financial has said Mr M would not have been offered the loan if he had not passed its checking criteria. In summary, it explained that part of its checks involved reviewing Mr M's credit profile to assess his income and expenditure, and it also used information from Mr M's active credit file. Chetwood Financial concluded that after taking out the proposed loan, Mr M would be left with at least £956 disposal income a month.

Mr M wanted to borrow £4,500 and to repay the loan over three years, neither a significantly large amount nor a lengthy term. Mr M declared he was also in full-time employment on a good salary – he had declared he took home on average £3,571 a month when applying for the loan. Chetwood Financial used an automated check of his current account turnover to validate the declared income. It returned a high confidence rating, which Chetwood Financial would rely on to validate the income Mr M declared as commensurate to the value of payments into his bank account.

Chetwood Financial's automated loan approval process also considered Mr M's declared income against his overall level of indebtedness and repayment history as a crosscheck. Its search of Mr M's credit file showed a £746 credit card balance against a £1,200 credit limit. So, this too did not suggest Mr M had overstated his income nor suggest Mr M was having problems managing his finances at the time.

Mr M has supplied copies of statements for one of his bank accounts covering the period from May until July 2021, but they weren't for the same account as the one he had given to Chetwood Financial to take payments from. I note the statements show Mr M's salary credits in June and July but not May, and that the amount is less than the income he had declared. But on this occasion, and setting aside these statements related to a different bank account that was being used for payments to this loan, I wouldn't expect Chetwood Financial to get copies of Mr M's bank statements before agreeing to lend to him – the checks it had done didn't flag any reasons for a more thorough check, such as reviewing his bank statements.

So, I think the steps Chetwood Financial took to validate the information Mr M had given when applying were proportionate to the amount and duration of this first loan. And it was reasonable to consider whether or not to lend on the basis of that information.

I must also consider whether it was appropriate for Chetwood Financial to lend to Mr M, based on the information he had given in his application and the information it had obtained from its checks.

Having done so, I think Chetwood Financial made a fair decision to lend. Mr M was left with sufficient disposable income after accounting for his non-discretionary spending needs and existing credit commitment to sustainably make his loan repayments. I've not seen that Chetwood Financial search of Mr M's credit file highlighted any reason to suggest otherwise – for example, he was maintaining his existing credit commitments well and Mr M's overall indebtedness wasn't a concern.

All things considered, I think Chetwood Financial lent Mr M's first (LiveLend) loan responsibly, Mr M has had the benefit of the money he borrowed, and I don't think his complaint about this loan should be upheld.

<u>Loan 2</u>

Mr M applied for his second loan in July 2021, only six weeks after applying for his first loan with Chetwood Financial. But he did so by using a different broker, by applying via the BetterBorrow brand, and by giving a different address and bank details. And by doing so, Chetwood Financial did not recognise Mr M as an existing customer and viewed his application as it would a new customer.

Mr M hasn't told us his reasons for using different addresses and bank accounts to apply for different loans. Generally speaking, unless someone has moved home, this is unusual. Having looked at the copy of the credit file Mr M has given us, I'm satisfied it wasn't because he had moved address between applications. I say this because he held a mortgage at the address he used for his BetterBorrow application since February 2019 but had and continued to apply for credit at the address given in his LiveLoan application since taking out that mortgage. Indeed, he had applied for more than 40 credit accounts at the address given in his LiveLoan application since February 2019. And when referring his complaint to the Financial Ombudsman Service, he also gave us the same address as he used with his LiveLoan application, not the address he used for his more recent BetterBorrow applications.

I have carefully considered whether, with reasonable and proportionate checks, Chetwood Financial ought reasonably to have found Mr M's applications for Loan 1 and Loan 2 were for the same customer; and if so, has Mr M lost out by it not doing so. Having done so, I'm not persuaded Chetwood Financial should have done more to link Mr M's applications. I say this because Chetwood Financial was entitled to take the information Mr M declared in good faith when considering and validating his applications. But even if I am wrong on this point, I don't think Chetwood Financial not linking Mr M's applications has led to an unfair lending decision – I'll explain why.

Our Investigator pointed to differences in the information given between Mr M's applications for Loan 1 and Loan 2, the most noticeable being the absence of any expenditure towards his living expenses when applying for Loan 2. For this reason, the Investigator thought Chetwood Financial's checks were not reasonable and proportionate to the loan. The Investigator reviewed bank statements for the same account as the one Mr M had given Chetwood Financial when applying for Loan 2. These covered May to July 2021. The Investigator pointed out after reviewing the statements that Mr M's salary was less than the figure he had declared as income – as I mentioned above. The Investigator thought that with more detailed checks and using the lower salary figure (showing on the bank statements) Chetwood Financial ought to have seen Mr M couldn't sustain the higher monthly commitment. I'm not convinced that was a fair conclusion to reach.

Although Mr M's bank statements don't show a salary credit for May 2021, they do show payments into his account and the total value of these significantly exceed the figure he declared as income – by more than 25%. I note that the statement narratives for payments *frequently featured his full name and I think this is likely to mean they were credits from another of the accounts he held – his credit file showed he held three current accounts at the time. I've noted transfers in an out of his account continued throughout June and July 2021 too, and this likely explains the high confidence rating Chetwood Financial got when validating Mr M's account by comparing it to his account turnover. I think it fair to say Mr M had access to other funds or another source of income beyond his salary. And as Mr M's credit file doesn't show him taking on new lines of credit, I don't agree with the Investigator's finding that Mr M couldn't sustain the combined repayments for Loans 1 and 2.*

I share some of the Investigator's concern at Chetwood Financial accepting Mr M's application without him properly declaring his expenditure. But such was the margin between his expenditure (declared housing costs and credit commitments found in the search of his file) and declared income, I don't think Mr M not declaring living costs is material to the lending decision nor adequacy of Chetwood Financial's validation checks. Put simply, his declared income would have covered reasonable living costs and left Mr M with spare spending money. I say this because if I use the figure of £1,200 living costs he declared when applying for Loan 1; housing costs using half the monthly payment to the joint mortgage showing on his credit file at £505; a combined monthly credit repayment from the credit file including the monthly repayments to Loan 1 and Loan 2 at £1,102; his monthly expenditure totalled £2,807. This still should have left Mr M with £764 spare each month.

My findings here are finely balanced and having weighed up all of the above, I think Chetwood Financial's validation checks were reasonable and proportionate to the loan application and its decision to lend on this occasion was a fair one. Again, Mr M did have the benefit of the money he borrowed for the purpose he needed, whatever this was.

I referred above to Mr M having taken out over 40 credit products since February 2019 and I note that many of these were high-cost short term loans (more commonly referred to as payday loans). I think it is fair to say that he was reliant on high-cost short term credit mainly between August 2019 and December 2020, and the last of this series was repaid in February 2021. So by the time he applied for Loan 2, his high-cost short term borrowing had been fully repaid.

I accept Mr M having to borrow for a second time in a short space of time could be a sign of money problems, as did Mr M's pattern of repeat borrowing of high-cost short term loans between August 2019 and December 2020. At the time Mr M applied for Loan 2, however, his level of indebtedness and repayment history showing on his credit file don't lead me to think Chetwood Financial needed to look more closely into his financial position, let alone decline the application. So I don't think his complaint about this loan should be upheld.

Loan 3

Mr M applied for his third loan in March 2022, four months after settling Loan 2 early. The amount he applied to borrow, £2,500 was half the amount he borrowed with Loan 2, he applied to repay it in half the time, in two years, and the monthly repayments were £15 less at £139.

Mr M was a returning customer and he had a previous repayment history with Chetwood Financial. Mr M had maintained his first BetterBorrow loan without any repayment problems and he had settled it early, four months into its term. I think it is fair to say that Chetwood Financial would needed to have seen a significant worsening in Mr M's financial situation, given he was borrowing much less over a shorter term with a lower repayment, before reasonably concluding he would be unable to sustain the repayments.

It is equally fair to say Mr M's level of indebtedness had increased, as had the total he needed to pay towards credit each month. I have reviewed his credit file and seen he was managing without showing signs of repayment distress – for example missed or late payments. I note that while Mr M's indebtedness had increased, I think his overall level of indebtedness in relation to his level of income wouldn't be of concern given the further amount he was now looking to borrow.

I've also considered Mr M's bank statements at the time and whilst I wouldn't have expected Chetwood Financial to have gone to such lengths, they do confirm his salary income was at the level declared, largely owing to February's credit being significantly higher than the previous two months. Having taken account of both Mr M's income and expenditure, including his other credit commitments, I think he was left with enough spare income to sustain repayments to the loan he was applying for while maintaining his existing commitments.

I do find Mr M needing to borrow £2,500 the month after he was paid an extra £2,800 odd, as I do with his pattern of borrowing and repaying early – I would expect Chetwood Financial to pick up on this had Mr M continued to apply for further loans. But given all the other factors, such as surplus income and good repayment history, I don't think this is strong enough a reason to say Chetwood Financial shouldn't have lent Loan 3. And I wouldn't expect Chetwood Financial to carry out a more forensic check of Mr M's finances given the information it already had available. I also don't think his complaint about this loan should be upheld.'

<u>Responses</u>

I asked the parties to the complaint to let me have any further representations that they wished me to consider by 26 March 2024.

Mr M confirmed he had received my provisional decision and expressed his disappointment at the outcome.

Chetwood Financial also confirmed receipt of my provisional decision and that it doesn't have any further comments to make.

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.

I've reviewed everything again. Neither Mr M nor Chetwood Financial have provided further evidence or new information for me to consider – Mr M has expressed his disappointment at the outcome but he has not provided any further comment on my provisional findings. So, I've not seen enough for me to alter my provisional conclusions.

In summary, I find Chetwood Financial's validation checks reasonable and proportionate to the three loans Mr M applied for, Mr M has had the benefit of the money he borrowed, and the decisions to lend to Mr M were fair ones in the circumstances.

My final decision

For the reasons given above, I do not uphold Mr M's complaint or make an award.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr M to accept or reject my decision before 24 April 2024.

Stefan Riedel
Ombudsman