DRN-4313146

The complaint

Mr M complains FUND OURSELVES Limited trading as Fund Ourselves ("Fund Ourselves") gave him a loan he couldn't afford due to having several large loans outstanding at the time.

What happened

Mr M was advanced one loan for £800 on 27 April 2023 and he was due to make five monthly repayments of £320. Mr M has had some problems repaying the loan and based on the most recent information an outstanding balance remains due.

Mr M referred his complaint to the Financial Ombudsman after it had been reviewed by Fund Ourselves who didn't uphold it. But Fund Ourselves did offer to assist Mr M in repaying the balance through a repayment plan.

The complaint was considered by an investigator, and she didn't think Mr M's complaint should be upheld as proportionate checks had been carried out. She was also satisfied that there was no indication that Mr M was in financial difficulties, or that further checks needed to have been conducted.

Mr M didn't agree, saying that a credit search would've shown rising debts and that an increasing amount of his income was going towards repaying his outstanding creditors. Mr M then provided a list of creditors and their products that he had at the time which included bank loans, high-cost credit loans and payday loans. He said Fund Ourselves ought to have probed further as to why he needed further credit.

As no agreement could be reached, the case has been passed to me.

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 Mr M could afford to pay back the amount he'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 Mr M'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 Mr M. These factors include:

- Mr M 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);
- Mr M 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);
- Mr M 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 Mr M. But as there was only one loan, I don't think this applied in Mr M's complaint.

Fund Ourselves was required to establish whether Mr M could sustainably repay the loan – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr M was able to repay his loan 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 Mr M's complaint.

As part of his application, Mr M declared a monthly income of £3,173 per month from full time work. Fund Ourselves has explained that it checked Mr M's income with a tool provided by a credit reference agency. The results of which were positive indicating that what Mr M had declared was likely to be accurate. For a first loan, I think it was reasonable for Fund Ourselves to have relied on what Mr M declared as well as the result of the check.

Mr M was also asked to declare his outgoings across a number of different categories, such as travel, rent, utilities, food and commitments. Mr M declared his outgoings were £2,150 per month. As this was the first loan, I still think it was reasonable of Fund Ourselves to have relied on the information Mr M had provided.

Fund Ourselves believed, based on the information Mr M provided that he had enough disposable income to afford the largest monthly loan repayment of around £320. Therefore, it would've been reasonable for Fund Ourselves to believe the loan to be affordable for Mr M.

I would add, that with the loan repayment to Fund Ourselves and what Mr M declared he was committing to spending around £1,120 per month on existing credit commitments, that is around one third of his salary. In some cases, that maybe too high of an amount, but given the other information Fund Ourselves had, I think for a first loan, it was just about reasonable for the loan to have been given.

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 a credit search there wasn'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 – if necessary.

The results of the credit search in my view wouldn't have been concerning for Fund Ourselves. The results showed Mr M had 13 active accounts owing other creditors just over £20,500. Fund Ourselves was also told he had opened 4 new accounts within the last 6 months. Which wouldn't superficially suggest that Mr M was reliant or dependent on this sort of credit.

Fund Ourselves knew that there hadn't been any defaults or delinquent accounts within the last three years and there also weren't any other types of insolvency such as County Court Judgements recorded in the results Fund Ourselves received.

Fund Ourselves was only told about one active payday loan that Mr M was paying at the time and which was costing Mr M £134 per month. There wasn't anything else in the results to suggest that Mr M was reliant on this type of borrowing.

I appreciate Mr M says he had other loans with other lenders, and the report does show that there were. But even factoring in the payments Mr M needed to make towards these loans (which was around the amount he declared for "*credit commitments*" as part of his application) there was still sufficient disposable income for Fund Ourselves to reasonably conclude he could afford the payments.

In this case I think the checks that Fund Ourselves carried out for a first loan were proportionate. They showed Fund Ourselves that Mr M would likely be able to afford his repayments. It therefore follows that I am not upholding Mr M's complaint. I know Mr M may well be disappointed with the decision that I have reached.

An outstanding balance remains due and I would remind Fund Ourselves of its regulatory requirement to treat Mr M fairly and with forbearance with regards to repaying the outstanding debt.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 14 February 2024.

Robert Walker
Ombudsman