

The complaint

Mr O complains FUND OURSELVES Limited (“Fund Ourselves”) gave him a loan without carrying out appropriate checks.

What happened

Mr O was advanced one loan for £250 on 19 November 2022 and Mr O was due to make 4 monthly repayments of £123.50. Mr O has had some problems repaying the loan and based on the most recent information an outstanding balance remains due.

Mr O 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 O in repaying the balance through a repayment plan.

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

Mr O didn’t agree, saying he was “*maxed*” out on his overdraft as well as his credit card. As no agreement has been reached, the case has been passed to me to resolve.

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 O 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 O’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 O. These factors include:

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

Fund Ourselves was required to establish whether Mr O 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 O was able to repay his loans sustainably. But it doesn't automatically follow that this is the case.

I also want to be clear that this decision only deals with Fund Ourselves' decision to provide the loan. I haven't considered anything else outside of this, such as what happened when Mr O approached Fund Ourselves for assistance.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr O's complaint.

As part of his application, Mr O declared a monthly income of £1,650 per month from full time work. Mr O was also asked to declare his outgoings across a number of different categories, such as travel, rent, utilities, food and commitments. Mr O declared his outgoings were £595. As this was the first loan, I think it was, at this time, reasonable of Fund Ourselves to have relied on the information Mr O had provided.

Fund Ourselves believed, based on the information Mr O provided that he had enough disposable income to afford the largest monthly loan repayment of around £123. Therefore, it would've been reasonable for Fund Ourselves to believe the loan to be affordable for Mr O.

Before the loan was advanced Fund Ourselves also carried out a credit search and it 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 showed that Mr O had 7 active accounts owing other creditors just over £3,500. Fund Ourselves was also told he hadn't opened any new accounts within the last 6 months. Which could reasonably suggest that at the time Mr O wasn't reliant or dependent on this sort of credit.

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

I appreciate Mr O says he had other loans with other lenders, but at the time the credit report only showed one outstanding loan which Mr O was due to pay £72 per month towards. The report didn't suggest that Mr O had lots of outstanding loans.

There wasn't anything in the result that indicated Mr O had further loans outstanding and Fund Ourselves was entitled to make a decision based on the information which it had available at the time.

I can see there were credit cards that were either at or very close to the prescribed credit limits. But these had been serviced and there wasn't any adverse payment information recorded against the cards. As this was the first loan and there wasn't anything in the credit check results to have indicated that Mr O was having financial difficulties or wouldn't be able to afford his repayments.

In this case I think the checks that Fund Ourselves carried out for a first loan were proportionate. They showed Fund Ourselves that Mr O would likely be able to afford his repayments. It therefore follows that in this complaint, I am not upholding Mr O's complaint.

I know Mr O will be disappointed with the decision that I have reached. However, an outstanding balance likely remains due and I would remind Fund Ourselves of its regulatory requirement to treat Mr O 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 O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 10 January 2024.

Robert Walker
Ombudsman