

The complaint

Mrs C complains FUND OURSELVES LIMITED (“Fund Ourselves”) gave her loans which she couldn’t afford to repay.

What happened

A summary of Mrs C’s borrowing can be found in the table below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	highest repayment per loan
1	£500.00	14/03/2022	03/04/2022	4	£233.00
2	£1,200.00	12/04/2022	outstanding	5	£480.00*

*Similar to the investigator, in the final response letter Fund Ourselves said the monthly repayment for loan 2 was £240, but that doesn’t add up to the total amount Fund Ourselves said Mrs C needed to repay. The figure in the table above represents the total amount due divided equally between the five monthly repayments.

Following Mrs C’s complaint Fund Ourselves wrote to her to explain why it wasn’t going to uphold it. Unhappy with this response, Mrs C referred the complaint to the Financial Ombudsman.

The case was then considered by an investigator, and she didn’t think Mrs C’s complaint about loan 1 should be upheld. But she did recommend her second loan be upheld because the information Mrs C declared as part of her application as well as Fund Ourselves’ credit search results showed she didn’t have enough disposable income to afford the repayments.

Fund Ourselves accepted the investigator’s recommendation and it explained that to date Mrs C had repaid £920 towards the balance so she would still owe £280 but Fund Ourselves said it would work with Mrs C to put a new repayment plan in place.

Mrs C didn’t agree with the outcome. She explained that when she applied for the loans she wasn’t asked for evidence of her wages and she didn’t have to prove that she could afford the repayments. Had further evidence been requested then Fund Ourselves wouldn’t have advanced either loan.

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 Mrs C could afford to pay back the amounts she'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 Mrs C'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 Mrs C. These factors include:

- Mrs C 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);
- Mrs C 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);
- Mrs C 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 Mrs C. As there were only 2 loans the investigator didn't think this applied to Mrs C's complaint and I agree.

Fund Ourselves was required to establish whether Mrs C could *sustainably* repay the loans – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Mrs C was able to repay her loans 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 Mrs C's complaint.

Loan 1

As part of her application, Mrs C declared a full-time monthly income of £2,100. Mrs C also declared monthly outgoings of £1,209 to cover several different items including, food, other credit commitments and utilities.

Fund Ourselves says that it checked the accuracy of Mrs C's income through a credit reference agency, and the result it was given, indicated that Mrs C's declared income was likely to be accurate.

I understand that Miss C says her income wasn't as high as she told Fund Ourselves and it ought to have verified what she told it. But for a first loan, where Fund Ourselves did go beyond just relying on what Mrs C declared about her income – I do think it was reasonable for it to have relied not just what Mrs C declared but also the results of its income check.

So, while Mrs C's income may not have been what she declared, I don't think there was anything in what Fund Ourselves saw or in the information it was given to have made it question whether it needed to do further checks into Mrs C's income.

Fund Ourselves believed, based on the information Mrs C provided that she had enough disposable income to be able to afford her repayments of £233.

Before the loan was approved Fund Ourselves also carried out a credit search and it has provided a summary of the results it received from the credit reference agency. It is worth saying here that although Fund Ourselves carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard.

Having reviewed the credit check results, there was some historic adverse data such as what looks like a County Court judgement from 2018 but Mrs C had been discharged from this in 2019. But I don't think Fund Ourselves would've been too concerned by this given the amount of time that has passed.

There was also information that suggested Mrs C's monthly credit commitments were greater than the £225 she had declared to Fund Ourselves – these commitments were likely around £700 per month. But even substituting that figure into the rest of the expenditure information Mrs C declared, she still had sufficient disposable income to potentially afford the repayment for this loan.

This was the first loan, so I think it was reasonable for Fund Ourselves to have relied on the information Mrs C provided about her income and expenditure along with the results of its own checks which showed she had sufficient disposable income to afford the repayments. There also wasn't anything else to suggest that Mrs C was having either current financial difficulties or anything to suggest that the loan repayments would be unsustainable for her.

Taking everything into account, I do not uphold Mrs C's complaint about Fund Ourselves' decision to lend this loan.

Loan 2

The investigator upheld Mrs C's complaint about this loan because she concluded, based on the information Mrs C gave to Fund Ourselves along with the credit check results which Fund Ourselves received, showed the loan wasn't affordable for her. Fund Ourselves has now accepted this loan ought to not have been provided because it agreed with what the investigator recommended it do in order to resolve the complaint.

So, to me it seems that this loan is no longer in dispute because Fund Ourselves has made an offer to put things right for Mrs C – so I don't need to make a finding as to whether it was right or wrong for Fund Ourselves to have granted this loan.

Fund Ourselves' offer is in line with what the investigator recommended and in line with the well-established approach the Financial Ombudsman takes when asking a lender to put something right for a consumer and where there is an outstanding balance to pay. This was the correct approach to take so I do not propose to recommend anything different.

For completeness, I've outlined below what Fund Ourselves ought to do (which it has already agreed to) to put things right for Mrs C as a fair and reasonable outcome to her complaint.

Putting things right

If Fund Ourselves has sold the outstanding debt then it should buy it back if Fund Ourselves is able to do so and then take the following steps. If Fund Ourselves is unable to buy the debt back then Fund Ourselves should liaise with the new debt owner to achieve the results outlined below.

- A. Fund Ourselves should remove all interest, fees and charges from the balance on any upheld outstanding loans, and treat any repayments made by Mrs C as though they had been repayments of the principal on all outstanding loans. If this results in Mrs C having made overpayments then Fund Ourselves should refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled.
- B. If this results in a surplus then the surplus should be paid to Mrs C. However, if there is still an outstanding balance then Fund Ourselves should try to agree an affordable repayment plan with Mrs C. I would also remind Fund Ourselves of its regulatory obligation to treat Mrs C fairly and with forbearance.
- C. Fund Ourselves should remove any adverse information recorded on Mrs C's credit file in relation to loan 2.

*HM Revenue & Customs requires Fund Ourselves to deduct tax from this interest. Fund Ourselves should give Mrs C a certificate showing how much tax it has deducted, if she asks for one.

My final decision

For the reasons I've explained above, I'm upholding Mrs C's complaint in part about loan 2 only.

FUND OURSELVES LIMITED should put things right for Mrs C as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 2 January 2024.

Robert Walker
Ombudsman