

The complaint

Mr M complains that APFIN LTD, trading as cashasap.co.uk ("Apfin"), lent him a high interest loan which he could not afford.

What happened

Mr M took one loan from Apfin. It was for £150 on 10 July 2021. The repayments were over six months and lessened over those months as the interest element reduced. The first two repayments were due to have been £48.84 and £56.78 respectively, and the sixth was due to have been £31.16. The loan remained outstanding and Mr M has said that a default has been registered in relation to it.

Mr M complained in August 2022 and in October 2022 he received Apfin's final response letter (FRL). It gave reasons why it did not uphold his complaint. It included an offer to Mr M to resolve the complaint and we have been informed that as of May 2023 that offer was still available to Mr M.

Mr M referred his complaint to the Financial Ombudsman Service in November 2022. One of our adjudicators looked at it, requested a copy of the credit search Apfin did when Mr M applied for the loan and then issued her view. She considered that the adverse entries on this credit file search obtained by Apfin was poor enough to lead Apfin to have declined the loan.

Mr M agreed with it. Apfin disagreed and our adjudicator issued a second view in which she corrected a couple of elements arising from the credit search results. Apfin responded with submissions for me to see knowing it was due to be passed to an ombudsman. These are lengthy and detailed and its final summary is duplicated here:

'Taking all these factors together, we don't think that Mr M's credit history was so adverse as to require a detailed financial review to establish the disposable income that he had for a first loan of £150. We think it was reasonable for us to view his application as someone with an acceptably adverse credit history and to consider his application sustainably affordable based on the checks that we did.'

The unresolved complaint was passed to me to decide. I issued a provisional decision giving reasons why I considered that the offer made by Apfin in its FRL was satisfactory but I did not uphold the complaint. That is duplicated here for ease of reading. I have made it smaller type to differentiate it.

The provisional decision dated 3 August 2023

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Apfin 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. Apfin's checks could've considered several different things, such as how much was being lent, the size of the repayments, and Mr M's income and expenditure.

I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Apfin 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 many loans and/or having these loans over a long period (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.

I do not consider that any of these bullet points apply to Mr M's circumstances as Mr M had declared a relatively good monthly income of £1,960. The repayments were not high and for a short term. This was Mr M's first and only loan with Apfin, so there was no repeat borrowing.

Apfin 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.

Industry regulations say that payments are sustainable if they are made without undue difficulties and, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr M's complaint. And I've decided to issue a provisional decision giving reasons why I do not think that Apfin lent irresponsibly.

I have reviewed all the points that Apfin raised and they accord with my own interpretation of the details it had obtained before lending. These were details supplied from Mr M together with the credit search it carried out.

Mr M had given his income as £1,950 a month and had said that he lived at home with his parents.

I have checked this by viewing Mr M's application form and he had informed Apfin of that. So, the likelihood of him being in a difficult position where he may have had problems repaying priority bills was lower than an individual applicant in rented accommodation or with a mortgage and bills to pay. And it's entirely reasonable that this would have been a factor considered by Apfin when looking at Mr M's application.

Having said that Mr M did declare a series of payments which may have been general contributions to bills in the house.

These were about £225 which included 'rent', utilities and internet costs plus £100 for travel and £150 a month on other loan or credit card expenditure. He also declared 'other regular expenditure' as £150 and the same sum for 'clothing and food'. This added up to £775 each month on Mr M's figures. This indicated that Mr M would have had about £1,175 left over after repaying all the expenditure he had declared.

The credit search done by Apfin does show some adverse entries but these were mostly historic – from 2016 and 2017. If these entries had been recent then I appreciate it may have had a bearing on the creditworthiness assessment Apfin was required to do before lending.

So, I do depart from our adjudicator's view that when considering the likely outstanding costs Mr M faced with other debt then these historic ones were unlikely to be ones that needed to be added in. But I'm also persuaded by Apfin's submission that even if those costs were added into Mr M's total expenditure, still he would have had enough to repay this £150 loan where the largest repayment figure was around £57 and diminishing as each month passed.

There were two entries of defaults added to the records about eleven months before Mr M applied for the loan and it is this element I have considered carefully.

However, this was a first and only loan for £150 and placing that into context I consider that Apfin carried out proportionate checks.

Lenders such as Apfin are used to receiving applications from customers where adverse credit entries may have been recorded. But the items in Mr M's history in this complaint relate to some defaults some years before plus two more recent ones and some delinquencies which on their own would not necessarily lead a professional lender to refuse this low value application.

The loan value was low at £150, the income and expenditure figures Mr M had given to it showed a more than satisfactory margin with which to be able to afford between £36 and just under £57 each month for a short time. I can't ignore that Mr M's disposable income seemed to have been more than enough to make these Apfin repayments.

In the FRL, Apfin have made an offer and I consider that to have been a satisfactory outcome.

Having checked with Apfin it seems that offer is still available for Mr M to accept. That was a reduced balance settlement offer and to quote Apfin it explained:

'The interest write-off totals £127.01 and reduces your balance to the remaining loan principal of £99.16 only. We are only asking you to return the money that we gave you, without any interest or fees. This means that you would have paid nothing at all for using our service.'

In the circumstances I plan not to uphold the complaint but I plan to endorse the offer made in the FRL.

This is the end of the duplicated provisional 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.

Mr M has not responded to the provisional decision.

Apfin has replied to say it has nothing further to add. From that response it seems Apfin accepts my provisional decision and therefore is content to proceed with the offer to Mr M in the FRL.

In the circumstances I have no reason to depart from the provisional decision findings which I repeat here and they form part of this final decision.

I do not uphold Mr M's complaint but I endorse the Apfin FRL offer.

My final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 14 September 2023.

Rachael Williams
Ombudsman