

Complaint

Mr B has complained about loans Inclusive Finance Limited (trading as “Credit Spring”) provided to him. He says the loan was unaffordable and if his situation had been reviewed properly, it would have been impossible to think that lending to him was safe.

Background

Credit Spring provided Mr B with a loan facility for £500 in May 2022. The terms of the facility meant that Mr B could make two separate drawdowns of £250. But Mr B could only drawdown the second £250 once he’d repaid the first £250. Mr B also had a maximum of six months to repay each drawdown.

While there was no interest to be paid on the loans themselves, Mr B did have to pay an £8 a month membership fee for 12 months. This meant that if Mr B did draw down both loans he’d have maximum payments of just under £50 a month for 12 months.

One of our investigators reviewed what Mr B and Credit Spring had told us. And she didn’t recommend that Mr B’s complaint be upheld. Mr B disagreed and asked for an ombudsman to look at his complaint.

My findings

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr B’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr B’s complaint. I’ll explain why in a bit more detail.

Credit Spring needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Credit Spring needed to carry out proportionate checks to be able to understand whether Mr B could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. 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. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Credit Spring says it agreed to Mr B’s application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against

information on a credit search it carried out and checks in relation to how much money was going into Mr B's account. In Credit Spring's view all of this information showed Mr B could afford to make the repayments he was committing to.

On the other hand, Mr B has said he was in financial difficulty and given it was lending to those who had lower credit scores at higher rates of interest, Credit Spring ought to have done more than the minimum required checks.

I've carefully thought about what Mr B and Credit Spring have said.

The first thing for me to say is that Credit Spring didn't just simply accept what Mr B said. It carried out credit searches which showed that Mr B had had previous difficulties with credit. But these were for the most part historic and what Mr B did have at the time was being reasonably managed. And given the low monthly payments required here and the being a first arrangement, I don't think that it was unreasonable to rely on Mr B's declarations, which suggested that the repayments were affordable.

I accept that Mr B appears to be suggesting that his actual circumstances may not have been fully reflected either in the information he provided, or the information Credit Spring obtained. I've seen that Mr B says that due to personal issues he was experiencing at the time his salary wasn't being paid into his account. It was being paid to someone else and he was only having funds transferred to his account by them. I'm sorry to hear about what Mr B has told us and what has happened in his personal life since his agreement with Credit Spring.

But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the amount of the monthly payments and the lack of other obvious indicators of an inability to make the low monthly payments in the information Credit Spring did obtain, I don't think that reasonable and proportionate checks would have extended into requesting the information that would have shown Mr B's personal issues at the time. And Credit Spring wouldn't have been in a position to know that Mr B's employment situation would change for the worse in the future.

At best, even if I were to accept that further checks were necessary, which I'm not necessarily persuaded is the case here, any such checks would only have gone as far as finding out more about Mr B's regular living costs. And I don't think that conducting a full financial review – which was really the only way that it might have been able to find out the full extent about Mr B's circumstances - was the only way that Credit Spring could have done this. Indeed, I think going as far as this would have been disproportionate given the circumstances.

As this is the case, I don't think that Credit Spring did anything wrong when deciding to lend to Mr B - it carried out proportionate checks (albeit I accept that Mr B doesn't agree that these went far enough) and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that Credit Spring treated Mr B unfairly or unreasonably when providing him with his loans. And I'm not upholding Mr B's complaint. I appreciate this will be very disappointing for Mr B as I can see that he feels strongly about this matter. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding this complaint, I'd like remind Credit Spring of its obligation to exercise forbearance and due consideration should it intend to collect on the outstanding

balance on Mr B's loan, in light of what he's said about his current financial position and experiencing financial difficulty.

My final decision

For the reasons I've explained, I'm not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 13 November 2023.

Jeshen Narayanan
Ombudsman