

The complaint

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

What happened

Mrs S was advanced one loan by Fund Ourselves on 18 May 2022 for £300. Mrs S was due to make four monthly repayments of £135.60. Fund Ourselves says the first payment was made late, but no other payments have been made since. It has also confirmed the account defaulted in October 2022.

Following Mrs S’s complaint Fund Ourselves wrote to her to explain why it wasn’t going to uphold it because it had carried out affordability checks before the loan was granted.

Unhappy with this response, Mrs S referred the complaint to the Financial Ombudsman. The case was then considered by an adjudicator, and he didn’t think Mrs S’s complaint should be upheld because Fund Ourselves carried out proportionate checks which showed it Mrs S would be able to afford the loan.

In addition, he also said, that Fund Ourselves was entitled to contact Mrs S to chase payment towards the loan and it didn’t have to accept the £50 offer made by her to settle the account balance.

Mrs S didn’t agree with the adjudicator’s assessment. But no further comments or evidence were provided. 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 S could afford to pay back the amount 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 S’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 S. These factors include:

- Mrs S 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 S 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 S 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 S. As there was only one loan the adjudicator didn't think this applied to Mrs S's complaint.

Fund Ourselves was required to establish whether Mrs S could *sustainably* repay the loan – 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 S was able to repay her 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 in particular, 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 Mrs S's complaint.

As part of her application, Mrs S declared a full-time monthly income of £1,720. Mrs S also declared monthly outgoings of £995 to cover several different items including, food, other credit commitments and utilities.

Fund Ourselves believed, based on the information Mrs S provided that she had enough disposable income to be able to afford her monthly repayments of £135.60. As it was a first loan, I also think it was reasonable of Fund Ourselves to have relied on the information Mrs S had provided to it.

Fund Ourselves also carried out a credit search and it has provided a summary of the results it received from the credit reference agency. I've reviewed the credit check results, there isn't anything in the results that would've indicated that Mrs S was having immediate financial difficulties. It knew that she had several credit cards, that were all up near the credit limit but that alone wouldn't be enough to uphold the complaint.

Given there was only one loan, I think it was reasonable for Fund Ourselves to have relied on the information Mrs S provided about her income and expenditure which showed she could afford the repayments. There also wasn't anything else to suggest that Mrs S was having either current financial difficulties or anything to suggest that these loan repayments would be unsustainable for her.

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

Other considerations

Mrs S has said in her complaint form that she offered to pay £50 to settle the outstanding balance. And given what Mrs S has said, the offer wasn't accepted. But it is for

Fund Ourselves (or its agents) to determine whether it wishes to accept the offer to close the account. And so, I wouldn't be able to say Fund Ourselves has made an error by rejecting the offer.

I thank Mrs S for disclosing to the Financial Ombudsman her health problems and how this was caused. Moving forward Fund Ourselves and its agents will need to take this into account. But in saying that, given a loan was advanced, and payments haven't been made as expected, I do think it was reasonable for Funds Ourselves to have taken steps to recover payment.

And Fund Ourselves wasn't told about Mrs S's problems when the loan was advanced, so it couldn't, if needed, make any adjustments to the communication with Mrs S. I understand, from Mrs S, that it now communicates to her through her private email address (rather than her work address) which is reasonable.

Fund Ourselves, in response to further enquires, has confirmed the debt was initially passed to a third party (with Fund Ourselves remaining the legal owners of the debt). As payment or a payment plan hasn't, as far as I am aware, been agreed the third party has now been passed to another third party which is regulated by the Solicitors Regulation Authority (SRA).

Finally, an outstanding balance remains, and Fund Ourselves should ensure that it (or its agents) treats Mrs S fairly and with forbearance when discussing the repayment of the account. It will also need to consider Mrs S's ongoing health problems.

My final decision

For the reasons I've explained above, I'm not upholding Mrs S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 29 September 2023.

Robert Walker
Ombudsman