

The complaint

Mr H complains FUND OURSELVES Limited trading as Fund Ourselves (“Fund Ourselves”) gave him a loan without carrying out appropriate checks. Had appropriate checks been carried out Mr H says Fund Ourselves would’ve discovered his other outstanding loans and a poor credit history and so shouldn’t have been granted this loan.

What happened

Mr H was advanced one loan of £790 on 26 December 2022 and Mr H was due to make 5 monthly repayments of £316. Mr H repaid the loan early on 28 January 2023.

Mr H referred his complaint to the Financial Ombudsman after it has been reviewed by Fund Ourselves who didn’t uphold it.

The complaint was considered by an investigator, and she didn’t think Mr H’s complaint should be upheld as proportionate checks were conducted by Fund Ourselves and there was no indication that Mr H was in financial difficulties.

Mr H didn’t agree, saying at the time he wasn’t financially stable and has been using funds to invest and gamble – and he provided copy bank statements to show this. Had Fund Ourselves reviewed his bank statement from December 2022 it would’ve seen that he had already taken loans from 4 other providers totalling more than £10,000. Mr H also said the interest rate was too high and he was lent to even though he had a poor credit score.

The investigator explained why these comments hadn’t changed her mind about the outcome she had reached. Mr H didn’t agree and instead asked for an ombudsman’s decision. As no agreement has been reached, the case has been passed to me.

Later, Mr H gave details of another complaint he had reviewed at the Financial Ombudsman and was upheld so he said “... *surely this complaint should be upheld as well*”.

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 H 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 H’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 H. These factors include:

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

Fund Ourselves was required to establish whether Mr H 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 H was able to repay his loan 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 Mr H's complaint.

As part of his application, Mr H declared a monthly income of £2,400 per month from full time work. Fund Ourselves says that this income was verified using a tool provided by a credit reference agency. And the result of that check indicated the income declared by Mr H was likely to be accurate.

Mr H was also asked to declare his outgoings across a number of different categories, such as travel, rent, utilities, food and credit commitments. Mr H declared his outgoings were £1,200 per month. As this was the first loan, I think it was, at this time, reasonable for Fund Ourselves to have relied on the information Mr H had provided.

Fund Ourselves believed, based on the information Mr H provided that he had enough disposable income to afford the monthly loan repayment of £316. Therefore, it would've been reasonable for Fund Ourselves to believe the loan to be affordable for Mr H.

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 to the information it received – if necessary.

The results of the credit search showed that Mr H had 7 active accounts owing other creditors just over £8,000. Fund Ourselves was also told he hadn't opened any new accounts within the last 6 months – this means Fund Ourselves wasn't aware of the other loans that Mr H says were taken in December 2022.

There could be a number of reasons for this, such as the other lenders reporting the loans to a different credit reference agency or there being a delay from when the accounts were

opened to when the other lenders reported the data to the credit reference agencies. Whatever the reasons, the recently opened loans Mr H says he had, Fund Ourselves were unaware of them.

Fund Ourselves knew that there hadn't been any defaults within the last three years, and the one default Fund Ourselves did know about occurred in October 2018. This was too far removed from the loan application date for Fund Ourselves to have been concerned that Mr H may have struggled to repay the loan.

I appreciate Mr H says that he had another complaint about a loan taken out a month after this one which has been upheld. But my remit is to consider the individual circumstances of this complaint. And there are a number of factors that go into deciding whether a complaint about a loan should be upheld, or further checks ought to have been carried out.

I have already outlined earlier on in this decision some examples of what may led the lender to carry out further checks. But as always it will also depend on the individual circumstances of each loan application. And some of the factors that are considered – but not limited too, are what the lender knew about Mr H (and what he had declared) the number of loans granted, the monthly repayment amount Mr H was due to make and the results of any other checks that may have been carried out.

In this case, a first loan, where proportionate checks were conducted, which showed Fund Ourselves that Mr H would likely be able to afford his repayments. Means, in my view, it wouldn't have been proportionate for Funds Ourselves to have either declined his loan application or to have prompted it to carry out further checks such as reviewing his bank statements.

I understand that Mr H says that Fund Ourselves took advantage of him and charged him a high rate of interest. Firstly, I haven't seen anything to suggest that Fund Ourselves hasn't charged the interest it said it would.

Secondly, from January 2015 the industry regulator introduced a cost cap for these types of loans. This in short, means that Fund Ourselves can't collect more than 100% of the amount lent to Mr H in interest fees and charges. This means for Mr H's complaint the absolute most Fund Ourselves could collect could be as high as £1,580. But it's worth pointing out, that Mr H settled the loan much earlier than planned, so Mr H didn't pay as much contracted interest as he could've.

Overall, Fund Ourselves carried out proportionate checks before the loan was approved which showed Mr H could potentially afford the repayments he was committed to making. I'm also satisfied it was entitled to rely on the information Mr H declared about his income and expenditure. There also wasn't anything else to suggest the loan would either be unaffordable or unsustainable for him. So, I don't think Fund Ourselves did anything wrong when it approved the loan for Mr H and it therefore follows that I can't uphold the complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 4 January 2024.

Robert Walker
Ombudsman

