

The complaint

Mr R complained through a representative that FUND OURSELVES LIMITED ("Fund Ourselves") gave him loans without carrying out sufficient affordability checks.

What happened

A summary of Mr R'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 | £200.00 | 20/09/2022 | 06/11/2022 | 4 | £99.60 |
| 2 | £150.00 | 19/11/2022 | 05/01/2023 | 4 | £71.10 |
| 3 | £160.00 | 12/01/2023 | 30/01/2023 | 4 | £71.36 |
| 4 | £150.00 | 01/02/2023 | 21/02/2023 | 4 | £70.80 |

Following Mr R's complaint Fund Ourselves considered it and didn't uphold it because it said the loans were affordable for him, based on its checks. However, as a gesture of goodwill, in full and final settlement and on the basis the complaint wasn't escalated further – Fund Ourselves offered to refund the interest charged for loan 4 which came to £24. Mr R's representative didn't agree and instead referred the complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator who didn't think Mr R's complaint should be upheld. He said this because proportionate checks had been carried out and there was no indication that Mr R was in financial difficulties, or the loans couldn't be repaid in a sustainable manner.

Mr R's representative didn't agree and asked for the case to be reviewed. 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 Mr R could afford to pay back the amounts 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 R'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 R. These factors include:

- Mr R 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 R 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 R 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 R. As there were only four loans granted the adjudicator didn't think this applied to Mr R's complaint and I agree.

Fund Ourselves was required to establish whether Mr R could sustainably repay the loans – 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 R was able to repay his 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 Mr R's complaint. Having considered everything, I am also concluding that Fund Ourselves carried out proportionate checks and so it doesn't need to take any further action.

As part of his application, Mr R declared a monthly income of £2,100 for loan 1 and then £2,200 a month for loans 2 - 4. Fund Ourselves has shown that Mr R's income was checked through a report provided by a credit reference agency. The results of that check indicated the amount Mr R declared was likely to be accurate.

Mr R was also asked to declare his outgoings across a number of different variables, such as outstanding debt, rent and travel. He declared these costs to be £950 per month for loans 1 and 2 and £1,000 per month for loans 3 and 4.

Fund Ourselves believed, based on the information provided, that Mr R had enough disposable income to afford the largest monthly loan repayment he was committed to of £99.60. Therefore, it would've been reasonable for Fund Ourselves to believe the loans to be affordable for Mr R.

Before the loans were approved Fund Ourselves also carried out a credit search and it has provided the results it received from the credit reference agency. It is worth saying here that although Fund Ourselves carried out credit searches, there isn'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 information it received.

Having looked at the results, there wasn't anything that I can see that would've led Fund Ourselves to think it should have carried out further checks or declined some or all of the lending.

All credit searches showed Mr R hadn't defaulted on any accounts within the last 3 years and by loan 4 didn't have any accounts enter delinquency within the last year. It also knew that Mr R had 2 County Court Judgements – but these were recorded in 2020 – so around 2

years before loan 1 was granted. I don't think these judgements would've given Fund Ourselves cause for concern given there didn't appear to have been any significant adverse payment information recorded since then.

I've also looked at the repayment of the loans to see whether that ought to have prompted further checks. I can see the loans were repaid much quicker than planned and without any obvious repayment problems. So, I don't think the way the loans were repaid would've given Fund Ourselves cause for concern.

The lending chain also wasn't large enough to have made Fund Ourselves conclude that Mr R was using the loans in an unsustainable manner.

This also means, that I don't yet think it had reached the point in the lending relationship where Fund Ourselves would've concluded it needed to have verified what Mr R was telling it. I appreciate that Mr R's representative has provided copies of his bank statements. But in this case, taking account of the four loans, and what Mr R declared, it would've been disproportionate for Fund Ourselves to have viewed them.

Overall, Fund Ourselves carried out proportionate checks before each loan was approved - which showed Mr R could afford the repayments he was committed to making. I'm also satisfied Fund Ourselves was entitled to rely on the information Mr R declared about his financial situation. Finally, there also wasn't anything else to suggest these loans would either be unaffordable or unsustainable for him.

So, I don't think Fund Ourselves did anything wrong when it approved the loans for Mr R and it therefore follows that I don't uphold the complaint.

My final decision

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

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

Robert Walker
Ombudsman