

The complaint

Mr L complains that FUND OURSELVES LIMITED ("FOL") lent to him when he could not afford it.

What happened

Using information from FOL here is a loan table. There is a gap between loans 5 and 6 which our adjudicator treated as a break in the lending relationship and so the second loan chain commenced at loan 6. I agree.

Loan	Approved	Repaid	Amount	Instalment
1	18 February 2019	19 February 2019	£160	4
2	26 February 2019	29 March 2019	£500	4
3	29 March 2019	3 April 2019	£500	4
4	9 April 2019	11 May 2019	£480	4
5	14 May 2019	11 May 2019	£500	4
Gap in lending				
6	9 March 2021	11 March 2021	£500	4
7	23 March 2021	1 June 2021	£500	4

After Mr L had complained, FOL replied with its final response letter in June 2022 in which it gave details of what Mr L had told it as part of his applications, what the amounts were for each loan, the terms, and the repayments. It explained that it checked Mr L's income and it carried out a credit search for each loan approved. It did not uphold Mr L's complaint.

In August 2022 Mr L referred his complaint to the Financial Ombudsman Service and he told us that he was in a lot of debt at the time he took these loans and he was gambling the funds which is still going on at the time he complained to us. He offered to send us any document we may need.

Our adjudicator decided that the information Mr L had given to FOL in relation to loans 1 to 3 was enough for it to see that he could afford the loans. By the time Mr L reapplied to it for loan 4, FOL would have already seen that he'd taken three loans out in a relatively short time and so she felt that FOL ought to have asked Mr L for more questions about his borrowing.

Plus, she felt that by loan 5 FOL ought to have built a more detailed picture of Mr L's finances before lending.

But she also went on to say that *'...we haven't received a copy of your bank statements from around the time, or your credit report, so I can't safely say what better checks would've revealed for loans four and five – or, if they would've made a difference. But if you're able to provide me with this information I'll be happy to take a look.'*

For loans 6 and 7 which our adjudicator treated as a new lending chain, she felt that the income and the expenditure figures Mr L had given to FOL was enough for it to rely on when

making the lending decision as they were at the start of the new loan chain. So, she did not uphold Mr L's complaint.

Mr L said to us he did not fully understand our adjudicator's view. But he had emailed to say that he did not agree with that view and wanted an ombudsman to look at it all.

Later, our adjudicator tried to call Mr L to discuss the complaint with him but was not able to make contact. She emailed Mr L to ask him for his bank account statements for around April and May 2019 (loans 4 and 5) but none have been received.

In the meantime, I had asked FOL for the credit searches it had carried out for Mr L before lending. These were only sent to us after the adjudicator's view had been sent to Mr L and I've reviewed them all.

The unresolved complaint was passed to me to decide.

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.

FOL had to assess the lending to check if Mr L 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. FOL's 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 L'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 FOL should have done more to establish that any lending was sustainable for Mr L. These factors include:

- Mr L 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 L having many 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 L 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 L.

FOL was required to establish whether Mr L 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 L was able to repay his loans 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 L's complaint.

Mr L has been given several opportunities to send to us the copy bank account statements or other documents to support his complaint claim, but none has been received.

I've reviewed the information that Mr L gave to FOL about his income and his expenditure and that it carried out verification checks on his income. It had no reason to doubt Mr L's expenditure figures. These were:

Loans 1 – 4: Net monthly income: £1,600 Financial commitments: £470

Loan 5: Net monthly income: £1,600 Financial commitments: £770

Loans 6 & 7: Net monthly income: £1,765 Financial commitments: £645

These show that Mr L was able to afford the loan repayments for each of the loans he applied for.

The credit check search details were sent to us recently and I have reviewed them. For loans 1 to 4 Mr L's overall debt level was not particularly high at around £4,000 but it varied a bit each time. I did think about the fact that Mr L had carried out a lot of searches for credit with several providers but as the loan applications to FOL were relatively modest over a short term then I'd not really consider that FOL would have been too concerned.

Mr L's record did show he had an account which had defaulted in 2017 but that had been some time before he applied for loan 1 and lenders such as FOL are used to lending to customers with some adverse credit entries. So, I doubt, on its own, that would have alerted FOL to a problem with Mr L's finances when he applied to them several years later.

As the lending relationship continued, the fast repayments on the previous loans Mr L had been doing would have been factored into the creditworthiness assessments FOL carried out. Although Mr L may say that he had been gambling the funds from FOL, there's no evidence I have seen that FOL knew, or ought to have known, of that spending habit.

However, by loan 5, I agree with our adjudicator, that I think Mr L had been applying for and repaying loans in relative quick succession and Mr L's overall debt level had increased to around £7,000 by loan 5. The FOL credit search showed that debt increase. So, I think that FOL ought to have made some more in-depth enquires to establish why it was that Mr L needed the loans so regularly. I don't think it did that.

But as Mr L has sent to us nothing further with which I can see what it was that FOL would have seen if it had carried out additional searches then I can take it no further. I don't uphold Mr L's complaint about loans 1 to 5.

When Mr L applied for loans 6 and 7 there had been a significant gap and so I do think that FOL was reasonable in its approach to treat loans 6 and 7 as being at the start of a new lending chain.

The break in that lending relationship would have meant that FOL was not likely to have considered that Mr L had any financial issues such that it needed to be alerted to do any in-depth checks.

The checks it did carry out were proportionate and the credit search showed that Mr L took loans regularly but seemed always to repay them. The adverse entries on the file low in number – for instance the 2017 default was the only default he had - and there were no other entries such as insolvency or late payments or arrears. Overall I do not consider that FOL did anything wrong lending to him for loans 6 and 7.

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 L to accept or reject my decision before 14 August 2023.

Rachael Williams
Ombudsman