

The complaint

Mr L complains about Chetwood Financial Limited, trading as BetterBorrow's, lending decision which he believes is irresponsible.

What happened

In May 2022, in order to consolidate credit Mr L took out a loan with BetterBorrow for £7,000 over 48 months with a monthly repayment of £212.99.

In September 2023, Mr L contacted BetterBorrow to complain. He informed them that due to his poor financial situation their lending decision was irresponsible. Mr L believes that BetterBorrow's automatic checks are flawed and should've picked up that he was missing payments and had got into significant debt.

BetterBorrow didn't uphold his complaint and explained the type of checks they'd made. And Mr L brought his complaint to our service.

Upon review, our investigator upheld Mr L's complaint as he thought BetterBorrow should've requested and checked Mr L's bank statements.

As BetterBorrow disagree, this complaint has been referred to me to look at.

I issued a provisional decision on 7 March 2024, and this is what I said:

I've considered the relevant information about this complaint.

Based on what I've seen so far, there will be a different outcome to what our investigator proposed. Before I issue my final decision, I wanted to give everyone a chance to reply.

I'll look at any more comments and evidence that I get by 4 April 2024. But unless the information changes my mind, my final decision is likely to be along the following lines.

What I've provisionally 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.

Having done so, my provisional decision is not to uphold this complaint and I will explain how I've come to my decision.

I'll focus on what I think are the important points to reach a final decision. But I've carefully considered all the points Mr L has made, even though I don't specifically address them all.

I looked closely at the checks BetterBorrow completed before it made a decision to lend Mr L £7,000, to see if these:

- *Were thorough and proportionate*
- *Assessed Mr L's ability to afford the loan and repay it sustainably over its term,*

without causing him financial difficulties or harm

I found that BetterBorrow did do a number of proportionate checks. They first used Credit Reference Agency (CRA) data to verify the £3,958 net monthly income that Mr L declared, and they looked at this across a six month period. They then calculated his disposable income as £682 per month by deducting the loan amount, housing and living costs and unsecured credit commitments. And to do this they used a combination of Mr L's declaration (housing costs), CRA data reports and information from the Office for National Statistics (ONS).

Mr L says that when he took out the loan his financial situation at the time was poor, he was missing payments and had got into significant debt with both utility and council tax bills, remained in a constant overdraft and had other loans that were outstanding. Also, he had no surplus income, had to borrow to make ends meet and remained behind on household bills.

It's clear from Mr L's comments and his bank statements that BetterBorrow didn't have a true picture of Mr L's disposable income. And this was despite a number of other checks they made that included analysis of his debt which showed he had a 'generally good credit performance with only two missed payments in the last four years prior to the application'. Also, the data they analysed showed he was experienced in lending products and had no short term, high-cost credit loans such as payday loans.

Although I appreciate it isn't their procedure, I considered whether BetterBorrow should've made a procedural exception, based on the total debt showing on Mr L's CRA report, and requested his bank statements.

Having reviewed the information on file, I'm satisfied that the checks they did were both proportionate and thorough and because of this and the following points, I'm not persuaded that BetterBorrow's automated checks are flawed or that they treated Mr L unfairly when providing him with the loan:

- *BetterBorrow use technology to verify information together with declarations supplied by an applicant*
- *Mr L confirmed he could 'comfortably afford the payments' when file information shows this wasn't the case*
- *Mr L didn't use all of the loan to consolidate his debt despite consolidation being the reason for the loan*
- *Mr L confirmed he'd read the credit agreement before he entered into the loan and had an opportunity to pull out*
- *There is no record of Mr L having contacted BetterBorrow to let them know that he was struggling with his repayments or that they were unaffordable prior to his complaint in September 2023*

So, although I recognise Mr L's difficult situation here, I don't consider BetterBorrow's checks needed to go as far as our investigator suggests, by obtaining his bank statements. I think BetterBorrow were entitled to rely on the information it had obtained and assessed.

So, whilst I have empathy for Mr L's position and appreciate he will be disappointed, my provisional decision isn't to uphold his complaint.

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.

I would like to thank both parties for responded before the deadline.

BetterBorrow said they had no further comments.

Mr L disagreed. He thinks his bank statements should've been reviewed as *'lenders now do'* and made a number of comments which included:

- He couldn't recall declaring a net monthly income of £3,958 as he'd never had that much, or the disposable income referenced.
- He thinks BetterBorrow should've been more thorough and says there were clear indicators he was struggling with immediate debt payments, as he had:
 - Four loans over a short space of time
 - A *'second charge mortgage'* with *'a company that are well known to providing credit to those with below average credit scores'*
 - Credit cards at maximum limit
 - Overdrafts

So, I considered everything again considering all the points has made, even if I don't specifically address them all.

Regarding the £3,958 monthly amount of income BetterBorrow based their calculations on, as Mr L said *'I've never had that much. You can see from pay slips that after pay deductions – the monthly pay is c£3100'*, I looked at his bank statements and asked for further information.

Although Mr L's banks statements showed a median of £3,450 and confirmed what he said about his income, BetterBorrow provided further information on the data Mr L provided and, from reviewing all their submissions, I think it more likely than not that they were given the figure of £3,958. I appreciate BetterBorrow's would've realised Mr L's income was lower if they requested bank statements. But I don't think it was unreasonable or unfair for them to use a figure substantiated by checks across a longer time period.

I appreciate Mr L thinks BetterBorrow's checks should've been much more comprehensive, and thinks there were clear risk indicators that applied at the time which left him with a low disposable family income, but it's clear:

- Mr L wanted the loan for debt consolidation
- Mr L said he could *'comfortably afford the payments'*
- Mr L had the opportunity to pull out or flag his affordability concerns, before and after receiving the loan
- BetterBorrow's checks carefully considered his debt, expenditure and disposable income

And having again reviewed the file and looked at the checks BetterBorrow completed, considering the above together with their calculations and information they both received and reviewed, I still don't think it would be fair to say their checks weren't reasonable or proportionate. So, although I empathise with Mr L's position, and appreciate he will be disappointed, I don't think BetterBorrow treated him unfairly when making a lending decision.

So, for the reasons mentioned above and in my provisional decision, I'm not upholding this complaint.

My final decision

My final decision is that I'm not upholding this complaint against Chetwood Financial Limited trading as BetterBorrow.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 31 May 2024.

Paul Douglas
Ombudsman