

Complaint

Ms N has complained about loans Chetwood Financial Services Limited (trading as “Better Borrow”) provided to her. She says that she shouldn’t have been accepted for her loans as they were unaffordable.

Background

Better Borrow provided Ms N with a loan for £5,000.00 in December 2021. This loan had an APR of 29.7% and the total amount to be repaid of £8,094.17, which included interest of £3,094.17, was due to be repaid in 48 monthly instalments of just under £170. This loan was repaid early with some of the proceeds from loan 2.

Ms N was provided with a second loan in June 2022. This loan was for £10,000.00 had an APR of 27.5% and the total amount to be repaid of £20,729.92, which included interest of £10,729.92, was due to be repaid in 84 monthly instalments of around £246.

One of our adjudicators reviewed what Ms N and Better Borrow had told us. And he thought that Better Borrow hadn’t done anything wrong or treated Ms N unfairly. So he didn’t recommend that Ms N’s complaint be upheld. Ms N disagreed and asked for an ombudsman to look at her complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Ms N’s complaint.

Better Borrow needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Better Borrow needed to carry out proportionate checks to be able to understand whether Ms N could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Better Borrow provided Ms N with a loan for £5,000.00 in December 2021 and a loan for £10,000.00 in June 2022. These loans were due to be repaid in 48 instalments of just under £170 and 84 instalments of around £246 respectively.

Better Borrow says it agreed to Ms N's applications after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on credit searches it carried out and all of this information showed Ms N could comfortably make the repayments she was committing to. On the other hand, Ms N has said she should never have been accepted for these loans.

I've carefully thought about what Ms N and Better Borrow have said.

The first thing for me to say is that Better Borrow has provided the details of its credit searches. And Better Borrow having carried out credit checks shows that it didn't simply rely on what it had been told by Ms N and that it took some of its own steps to check at least some of the information she provided in her application.

Better Borrow searches appear to show that Ms N's existing commitments were relatively well maintained. Crucially, according to the credit searches, Ms N's debt totals at the time of the applications were also reasonable in comparison to her income and they appeared to be relatively well managed. And there isn't anything else obvious in the information gathered which leads me to think that further checks would have been reasonable and proportionate.

I accept that Ms N's actual circumstances may not have been fully reflected either in the information she provided, or the information Better Borrow obtained. I know that she says that she'd recently taken another loan with another provider and that as her property was under shared ownership there were rent payments which weren't taken into account in Better Borrow's income and expenditure assessment.

But Ms N didn't declare any of this at the time. And Better Borrow's checks didn't show this either. Given it won't have been aware of the shared ownership status of Ms N's property and it will have seen she had a mortgage, I don't think Better Borrow can be expected to have queried the possibility of rent payments.

I've also kept in mind that loan 1 was repaid with some of the proceeds from loan 2 and that loan 2 was for a higher amount. But loan 2 was taken out not too long after loan 1 and it was at a slightly lower interest rate over longer term. And the credit check didn't show that Ms N's indebtedness elsewhere had significantly increased either.

So while the pattern of lending here has seen me take a closer look at the individual applications, I'm satisfied that it wasn't immediately obvious that Ms N might have taken loan 2 because of the effect loan 1 might have left on her finances. And there isn't anything else obvious in these applications which clearly demonstrates Ms N couldn't have afforded the loan payments either.

I that accept that if Better Borrow had obtained Ms N's bank statements in the same way a mortgage provider would – it may have reached a different conclusion. But the key here is that Better Borrow wasn't providing Ms N with a mortgage. It was providing unsecured loans. And it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the circumstances here, and the lack of obvious inconsistencies in the information that had been obtained, I don't think that reasonable and proportionate checks would have extended into doing anything further.

As this is the case, I don't think that Better Borrow did anything wrong when deciding to lend to Ms N - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. And the second loan was provided in circumstances where Mr N's indebtedness didn't appear to be increasing unsustainably.

So overall I don't think that Better Borrow treated Ms N unfairly or unreasonably when providing her with her loans. And I'm not upholding Ms N's complaint. I appreciate this will be very disappointing for Ms N. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Ms N's complaint, I would remind Better Borrow of its obligation to exercise forbearance and due consideration should it be the case that Ms N is experiencing difficulty and it chooses to collect payments from her.

My final decision

For the reasons I've explained, I'm not upholding Ms N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms N to accept or reject my decision before 28 September 2023.

Jeshen Narayanan
Ombudsman