

The complaint

Mrs B complains that Hitachi Capital (UK) Plc (“Hitachi”) lent to her irresponsibly.

What happened

At the beginning of March 2018 Mrs B applied for a loan with Hitachi. The loan was for £5,000 over a period of 36 months and the monthly repayments were around £165.

Hitachi says at the time of the application, Mrs B declared her income as being between £25,000 and £29,999. She said she was a home owner with no mortgage and was married. Hitachi says it took the middle point of her income, £27,499.50, and was able to electronically verify this income, which gave her an approximate monthly income of £1,850. It says it also carried out a credit check and deemed that she could afford this loan. Hitachi didn't ask Mrs B for details of her expenditure.

Mrs B says she had a gambling problem at the time this loan was carried out and, had Hitachi, carried out proportionate affordability checks and reviewed her statements, it would have seen this and not lent to her. So she says this lending is irresponsible.

Our investigator didn't think the complaint should be upheld. In short, she said that based on the information Mrs B had provided, it seemed the loan was affordable. Mrs B didn't agree so the complaint has been passed to me.

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. Having done so, I've reached the same outcome as our investigator and for similar reasons. I know this will come as a disappointment to Mrs B, but I'll explain my reasoning below.

the checks

Before lending money, a creditor should take steps to ensure that the consumer can afford to pay it back and that the repayments are sustainable. So I've considered whether Hitachi carried out proper affordability checks in this case.

I can see that Hitachi carried out a credit check with a credit reference agency, which would have given it a score based on the information that credit reference agency held about Mrs B. That can include details of outstanding debt, settled financial commitments and her previous repayment history.

Hitachi has also provided us with details of the affordability checks it carried out when Mrs B took this loan. It only asked some very basic questions and the checks it did were limited. It has also acknowledged that it didn't ask Mrs B for her outgoings, which would have allowed it to check that she was able to afford this loan.

This loan was for a significant amount over a period of three years. So I would have expected Hitachi to do more to check that Mrs B could afford the loan repayments over a

longer term. So taking everything into account, I'm not satisfied that Hitachi carried out proportionate checks for this loan. And I think Hitachi should have carried out an affordability assessment to satisfy itself that Mrs B could afford the loan repayments. This would have required Mrs B to provide details of her income and expenditure.

the lending

As I don't think Hitachi carried out proportionate checks, I have then considered whether I think it would have lent to Mrs B if it had.

Mrs B told Hitachi her income band but has now said her actual income in the years before this loan was around £22,000. Given that the amounts are similar, and Hitachi was able to electronically verify this amount, I think it's likely that Mrs B did tell Hitachi this was her income – and I don't think it acted unreasonably in relying on that information. Mrs B has also provided details of her income and I can see that for the three months leading up to the loan application, her monthly income was just under £2,000 per month, which is consistent with what she had told Hitachi.

Mrs B wasn't asked her outgoings, but Hitachi did do a credit check which would have showed any outstanding balances. Hitachi says that at the time of the application, the credit check showed her regular outgoings were less than £5 and her total outstanding debt was £1,500. Mrs B has explained to us that she had other loans which were taken before this one, but as they had been taken shortly before this loan, it may be that they hadn't yet been recorded on her credit file. And so Hitachi was unaware of them. Nevertheless, as I think Hitachi should have asked about Mrs B's outgoings, I have considered whether I think they would have made a difference.

I've considered what regular payments Mrs B was making at the time. Regular payments are payments which Mrs B was committed to making every month. The regular payments I can see in the three months leading up to this loan include two loan repayments totalling about £240, a phone bill of around £45 and a current account fee. Mrs B says she made a monthly contribution towards bills of £300 and paid overdraft charges. These amounts fluctuated in the months leading up to the loan application but even taking them into account would have left her with a disposable income of around £1,000 each month based on the income figure she gave Hitachi. And while there were other transactions on Mrs B's current account statements from the months leading up to the loan application, these don't appear to have been regular commitments. So I think, had Hitachi carried out proportionate checks and asked Mrs B details of her expenditure, it's likely that it still would have lent to Mrs B.

Mrs B has said that, had Hitachi checked her bank statements at the time she applied for this loan, she doesn't think it would have lent to her. But this was her first loan application with Hitachi and Mrs B had a good repayment history with other lenders which it could see through a credit check, so while I think Hitachi should have asked her for more information to check she could sustainably afford her monthly repayments, I don't think there was any reason for Hitachi to ask for her bank statements.

Mrs B has explained to us that she was gambling significantly at the time of the loan application but there's no evidence she made Hitachi aware of that at the time of the application and it's not a question I would expect a lender to ask every applicant as part of its credit and affordability checks.

So overall, while I think Hitachi should have asked more questions about Mrs B's income and expenditure to check the loan repayments were sustainable, I'm satisfied that had these checks been carried out it's likely Hitachi would have considered the loan to be affordable. So for these reasons, I won't be asking Hitachi to refund the interest on this loan.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 15 May 2020.

Sara Falzon
Ombudsman