

The complaint

Ms A complains that UK Credit Limited ("UK Credit") lent her a loan she couldn't afford.

What happened

The details of this complaint are well known to both parties, so I won't repeat them all again here.

UK Credit lent Ms A £3000 in March 2018, this is not in dispute, so I'll focus on giving the reasons for my decision about this loan.

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.

The investigator concluded UK Credit did not make a fair lending decision. I agree with the investigator's findings for these reasons:

- UK Credit says it carried out proportionate checks before agreeing to lend to Ms A. It says it asked her about her income and expenditure as well as go through a credit search with her on the phone. It used the information it gathered to assess the affordability of the loan for Ms A.
- The loan was due to be repaid over 24 monthly instalments of around £185 and UK Credit says Ms A asked for the loan for debt consolidation. When I look at UK Credit calculations, I can see that, on the surface of it, it had worked out that Ms A would have enough disposable income to afford the loan repayments. But like the investigator, on balance I don't think UK Credit made a fair lending decision with what it had in front of it.
- I say this because when I look through the credit search results, I can see that Ms A had 8 defaults recorded against her name and all of these had outstanding balances that had to be repaid. One default had only been incurred by Ms A a month before she requested a loan from UK Credit. Ms A had County Court Judgements with outstanding balances also.
- UK Credit say it asked Ms A about these defaults and CCJ's and recorded down what she said. It says Ms A told it she was in dispute with one of the companies that had registered a default and the others she could repay with the proceeds from the loan. It says it also added the repayments for one of the CCJ's to its assessment and calculated how much Ms A would repay on the other. But I don't think UK Credit acted on the information that it had in front of it. Instead it assessed what Ms A was telling it and whether she could afford the loan strictly on a pounds and pence basis.
- I can see from the information UK Credit gathered, that Ms A was having problems

managing her finances. She was unable, up to the point she asked for this loan, to repay the credit commitments that she had already taken out. She had consistently defaulted on accounts and had CCJ's recorded against her name and I can't see how UK Credit would have taken any assurance from this or what Ms A had told it when it was assessing whether she would be able to repay the monthly instalments on this loan, over the 2 year term, in a sustainable way. And, in these circumstances, UK Credit should reasonably have concluded that it was not fair to lend to Ms A.

- So, it follows that I uphold Ms A's complaint. UK Credit now needs to put things right.

Putting things right

While I think UK Credit shouldn't have lent to Ms A, I think it will be fair for her to repay the capital of £3000 which she borrowed. So, to put things right, UK Credit should:

- add up all the payments made by Ms A, if it exceeds the capital amount of £3000, then the overpayments plus 8% simple interest* should be paid to Ms A, remove any adverse information recorded on Ms A's credit file as a result of this loan.
- If there is a balance outstanding, UK Credit should treat Ms A fairly and look to arrange a payment plan that is affordable for her.

*HM Revenue & Customs requires UK Credit to deduct tax from the interest payment referred to above. UK Credit must give Ms A a certificate showing how much tax it's deducted if she asks it for one.

My final decision

My final decision is that this complaint should be upheld and direct UK Credit Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 25 March 2022.

Mark Richardson
Ombudsman