

## The complaint

Mr M says UK Credit Limited lent to him irresponsibly.

## What happened

Mr M took out a guarantor loan from UK Credit in August 2015. It was for £6,000 over 60 months. The monthly repayment was £225.20 and the total repayable was £10,809.60.

Mr M says the lender failed to carry out an effective affordability assessment.

Our investigator recommended the complaint should be upheld. She said UK Credit's checks were not proportionate, and the lender had not made a fair lending decision.

UK Credit disagreed saying, in summary, the checks were sufficient and showed the loan to be affordable. It said that Mr M had enough disposable income to make the repayments (as well as to cover any over limit fees on other accounts). It acknowledged some recent late payments but said they seemed to be one-offs and generally Mr M's credit was well managed. It said there was no evidence Mr M was using payday loans at the time of his application and there was no way of knowing why Mr M was settling his CCJ at the rate he was.

As no agreement was reached the complaint was passed to me. I reached a different conclusion to the investigator and so issued a provisional decision (an extract follows and forms part of this final decision). I asked both parties to let me have any further comments of evidence by 25 September 2021.

### *Extract from my provisional decision*

*UK Credit asked for some information from Mr M before it approved the loan. It asked for details of his income and checked this using a third-party income verification tool. It asked about his monthly living costs and it checked his credit file to understand his credit history and existing debts. It also asked about the purpose of the loan which was home improvements. From these checks combined UK Credit concluded Mr M had sufficient monthly disposable income for the loan to be affordable.*

*But I don't think that these checks were proportionate. Mr M was applying to borrow a significant amount of money from UK Credit. He was entering into a long-term commitment and would need to make monthly repayments for five years. So I would expect that UK Credit would want to gather, and independently check, more detailed information about Mr M's financial circumstances before it agreed to lend to him. I can't see it took any steps to verify his declared expenses. And it knew from the credit check it completed he had recently missed payments on a number of accounts and was over his limit on two credit cards. So, in the round, I think it would have been proportionate for UK Credit to independently check the actual state of Mr M's finances before agreeing the loan.*

*But this doesn't mean Mr M's complaint should automatically be upheld. It means I need to look at what proportionate checks would most likely have shown UK Credit and consider if it ought to have realised that there was a risk Mr M couldn't sustainably afford the repayments.*

*Mr M hasn't been able to provide copies of his bank statements from the time. He has sent in his full credit file. However I can't fairly conclude from this that better checks would have shown UK Credit the loan was unaffordable for Mr M. It shows the same information about Mr M's credit commitments and recent missed payments that the lender obtained from its check, as well as the CCJ registered in 2012. But it doesn't show a significant level of indebtedness or adverse data at the date of this loan application.*

*And without bank statements I am unable to check if Mr M's actual finances matched the figures he declared. So I cannot reasonably question UK Credit's assumptions about Mr M's disposable income.*

*This means with the available evidence I can't fairly conclude better checks would have indicated this loan was unaffordable for Mr M. I know Mr M took out a number of payday loans later in 2015 and went on to have significant financial difficulties in the following years. I am sorry he has experienced these difficulties. But without more complete evidence of his financial position at the time that shows there was a high risk this loan wouldn't have been sustainably affordable, I can't fairly conclude UK Credit was wrong to lend to Mr M in August 2015.*

*It follows I will not be instructing UK Credit to take any action.*

Both parties responded to the provisional decision by the deadline.

### **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.

Our approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here. In my provisional decision I set out in detail what UK Credit was required to do before lending and therefore the questions my review was looking to answer.

UK Credit provided no further information.

Mr M sent in his bank statements from the months prior to his application so I have now been able to assess what better checks would most likely have shown UK Credit. I have reviewed the statements carefully, but they do not change the outcome of this complaint.

They show that the income Mr M had declared was accurate, as was the mortgage payment and I haven't found any significant discrepancies versus the living costs he declared. And there are no signs that Mr M was having problems managing his money at this time – such as a reliance on payday loans, frequent gambling transactions, spending a significant proportion of his income on existing credit commitments or a reliance on an overdraft. The bank account doesn't seem to have had an overdraft facility and throughout each month it typically carried a daily credit balance. I know Mr M will be frustrated and disappointed, but on this basis I can't fairly conclude that better checks ought to have led to a different lending decision.

My provisional findings differed from the investigator as I didn't think Mr M's credit file showed a level of indebtedness or adverse data such that it was irresponsible for UK Credit to lend. Mr M had confirmed on the application call that there was one final repayment of £25 remaining to settle the 2012 CCJ and the credit check showed his total indebtedness stood at £3,795. Given the nature of this type of lending I would expect there to be some adverse

information on an applicant's credit file – and it wasn't extensive in this case at the time of this loan application.

It follows I don't think UK Credit was wrong to lend to Mr M.

**My final decision**

I am not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 8 November 2021.

Rebecca Connelley  
**Ombudsman**