

The complaint

Miss B complains Mitsubishi HC Capital UK Plc (trading as “Hitachi Finance”) lent to her irresponsibly.

What happened

Miss B applied to Hitachi Capital for three loans – a loan for £2,500 in March 2014, a loan for £1,000 in December 2014 and a loan for £2,500 in March 2015. She was living with her parents at the time and says that she’d already taken on a lot of debt. Hitachi approved all three loans, all of which were repaid early without any missed payments.

In June 2019 Miss B complained to Hitachi Capital saying that it ought not to have lent her money in 2014 and 2015. She said that the lending was irresponsible and had caused her financial difficulties given the amount of credit she already had at the time.

Hitachi Capital investigated Miss B’s complaint and said that it didn’t agree the loans were irresponsible or unaffordable. Hitachi Capital said that it had made sufficient checks, and that these showed she had no outstanding defaults or missed payments with any other creditors at the time. Hitachi Capital also said its checks confirmed she had an active income, and that the repayments and her outgoings at the time demonstrated the repayments were affordable to her. Miss B complained to us as she wasn’t happy with Hitachi Capital’s response.

One of our investigators looked into Miss B’s complaint and, having asked for additional information about her finances and circumstances at the time, including her credit file, said that they didn’t think Hitachi Capital’s checks had been sufficient. They said that Miss B’s credit file showed that she’d been taking out a lot of short-term loans and that Hitachi Capital had made assumptions about her living costs and expenses rather than asking for these details. Our investigator said that Hitachi Capital would have realised that Miss B’s finances weren’t stable had it carried out sufficient checks. So, they recommended that Hitachi Finance refund the interest and charges it had applied to Miss B’s loans together with 8% simple interest. Hitachi Capital disagreed saying that all the checks it had done showed the loans were affordable – Hitachi Capital said that these checks took account of other lending Miss B was repaying at the time. Hitachi Capital also said that all three loans were repaid early with no missed payments and that there had been no signs Miss B was in financial difficulties. Hitachi Capital asked for an ombudsman to look into Miss B’s complaint. So, that’s what I’ve done.

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.

Miss B applied for three loans from Hitachi Capital over a twelve-month period – all three of which she repaid early. She was living with her parents at the time and had been working with the same employer for over three years earning around £15,000. Her credit file did, however, show that she'd been consistently taking out a lot of short-term high cost credit loans, at least once a month. I agree with our investigator that this suggests her financial situation wasn't stable, and that she was relying on these loans to meet her everyday needs. In the circumstances, I agree that the checks that Hitachi Capital carried out were sufficient – as Hitachi Capital says they did take her other loan commitments into account but they didn't consider the regularity with which she was taking out short-term loans and what that meant. Had Hitachi Capital carried out additional checks, I agree that it would have concluded that the lending was unsustainable and harmful.

Putting things right

I'm satisfied that Miss B has repaid these loans, and agree with our investigator that it's fair to put Miss B back into the position she would have been in – as far as possible – had the lending not taken place in the first place. In this particular case, our investigator recommended the following steps, namely that:

1. Hitachi Capital should refund all the interest and charges Miss B has paid to date – and 8% simple interest should be added to the surplus.
2. Hitachi Capital should remove any adverse information recorded on Miss B's credit file as a result of the interest and charges.

I think the steps our investigator recommended are a fair and reasonable outcome to this complaint, so those are the steps I'm going to require Hitachi Capital to take in full and final settlement of this complaint.

My final decision

My final decision is that I require Mitsubishi HC Capital UK Plc to carry out the two steps outlined above in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 28 April 2022.

Nicolas Atkinson
Ombudsman