

## The complaint

Ms K complains that UK Credit Limited ("UK Credit") lent to her in an irresponsible manner.

## What happened

Ms K was given a guarantor loan by UK Credit in August 2018. She borrowed £4500 and agreed to repay this over 24 months. The guarantor for this loan was Ms K's partner. When Ms K made her complaint to UK Credit, she had a balance to repay.

I issued a provisional decision on this complaint in April 2022. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

*"UK Credit gathered some information from Ms K before it agreed to lend. It asked Ms K about her income and expenditure. It says it verified her income using an online tool and called her to discuss her expenditure. It carried out a credit check and used this to work out her credit commitments. Those checks suggested Ms K had enough disposable income each month to afford the loan repayments.*

*Ms K was entering into a significant commitment with UK Credit. She was agreeing to make monthly repayments for a period of 2 years. So, I think it is right that UK Credit wanted to gather, and independently check, some detailed information about Ms K's financial circumstances before it agreed to lend to her. I think that the checks it did were sufficient to achieve that aim. I think UK Credit's checks were proportionate.*

*But simply performing proportionate checks isn't always enough. A lender also needs to react appropriately to the information those checks show. Those results might sometimes lead a lender to undertake further enquiries into a consumer's financial situation. Or, in some cases, the results might lead a lender to decline a loan application outright. So, I've looked at what UK Credit gathered to see whether it needed to ask for more or whether it made a fair lending decision.*

*I have looked at the credit search that UK Credit conducted. The search showed that Ms K had 3 credit cards, 2 bank accounts with overdrafts and another guarantor loan, along with a payday loan. The two loans had only recently been obtained. Our investigator concluded that Ms K had recently taken out credit and increased her indebtedness in a short space of time. I can see from looking at the credit search results why they would conclude this. The other guarantor loan was only taken 2 months before Ms K asked for this one. Ms K had also recently taken out a payday loan and third credit card too. So, I think UK Credit ought to have been mindful of this when it looked through its credit search and was completing its assessment.*

*I have also listened to a call between the parties, where UK Credit went through the credit search and also asked Ms K about her income and expenditure. Ms K told UK Credit that she was going to use the loan to buy a car and the first year's insurance premium. She also told it she had taken out a payday loan for her mother, and that her mother was making the*

*repayment for it. I think it is reasonable for UK Credit to rely on what she has said here and discount this payment from the credit commitments that it assessed her to have at that time.*

*The credit Ms K had taken out seemed to be well managed. She was not in arrears with any of her accounts and I couldn't see any other signs that she was having problems managing her finances or that the loan wasn't affordable for her. Ms K was living at home and told UK Credit that she contributed about 5% to the household bills as she was only paying for food. I think when I consider how much Ms K's verified monthly income was, and how little she declared to UK Credit she had in essential spend, I think the credit she had taken out was affordable for her. The repayments on her overdrafts, 3 credit cards, guarantor loan and the repayment for this loan did represent a fairly sizable proportion of her monthly income. But in the circumstances, I have already described, on balance, I think the loan was sustainably affordable for her.*

*I appreciate that Ms K's financial situation could have been worse than my assessment above might suggest. But I think that the checks UK Credit performed were proportionate and didn't suggest that Ms K was facing any current problems in managing her finances. I think UK Credit was entitled to rely on what Ms K said about her finances, and what she intended to use the loan for. And that information suggested that she would be able to sustainably afford the repayments on the loan. So, I don't currently think UK Credit was wrong to give the loan to Ms K."*

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Ms K's representatives responded and said it had received the provisional decision but did not provide any further comments. UK Credit responded and said it had nothing further to add.

### **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.

Ms K and UK Credit have not made any new points for me to respond to. So, as neither party has anything further to add that I feel I need to comment on or that will change the outcome of this complaint, I don't see any reason to depart from my findings within my provisional decision. With that being the case, I do not uphold Ms K's complaint.

### **My final decision**

My final decision is that I do not uphold Ms K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 7 June 2022.

Mark Richardson  
**Ombudsman**