

The complaint

Mrs B complained to Marks & Spencer Financial Services plc (“MSFS”) that it didn’t treat her fairly when it declined to lend to her in 2021.

What happened

Mrs B applied to MSFS for a loan of £19,130 in 2021. The purpose of the loan was to consolidate a credit card and an existing loan, both with MSFS. The loan would be repaid at £257 a month over seven years (all figures rounded). MSFS declined to lend to Mrs B because it found she was overindebted and had consolidated this credit card debt a number of times.

Mrs B complained to MSFS because she felt she shouldn’t have been declined for credit. She said that she’d always made her payments on time and consolidating would enable her to pay less each month leaving her better off financially. Mrs B was also unhappy with how MSFS dealt with her application and how it communicated with her.

MSFS didn’t uphold Mrs B’s complaint about the loan decline but it did accept that there were delays in its assessment of Mrs B’s application and offered her £50 compensation. Mrs B didn’t accept this offer and brought her complaint to us, after which MSFS increased its offer of compensation to £75.

One of our investigators looked into Mrs B’s complaint but didn’t recommend that it be upheld. They found that MSFS didn’t do anything wrong in declining to lend to Mrs B, although there were some delays in its application process. They concluded that MSFS’s offer of £75 was a fair resolution.

Mrs B didn’t agree with this recommendation and asked for her complaint to come to an ombudsman to resolve.

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.

I’ve also had regard to the regulator’s rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders such as MSFS need to abide by. MSFS will be aware of these so I won’t refer to them in detail here but to summarise – before entering into a credit agreement, MSFS needed to conduct an assessment to check that Mrs B would be able to afford the loan repayments out of her usual means without having to borrow further, while meeting any other payments she had a contractual or statutory obligation to make and without experiencing significant adverse impacts on her financial situation.

The overarching requirement was that MSFS needed to pay due regard to Mrs B’s interests and treat her fairly. CONC 2.2.2G(1) gave an example of contravening this as ‘targeting

customers with regulated credit agreements which are unsuitable for them by virtue of their indebtedness, poor credit history, age, health, disability or any other reason.'

Having considered everything, I am not upholding Mrs B's complaint. I appreciate that this will be disappointing for her but I don't think MSFS treated her unfairly by declining to lend to her in 2021.

Mrs B says that her means were enough to afford the loan repayments, taking her existing commitments and living costs into account. She also says that she always made her repayments on time and felt she'd been a good customer. However, these weren't the only factors MSFS needed to take into account when considering her loan application. It also needed to consider whether or not Mrs B would be able to meet her repayments without borrowing, failing to meet other commitments or experiencing an adverse impact on her finances.

In addition to Mrs B's points about her means and repayment history, MSFS also considered that Mrs B had already had three loans from it to consolidate her credit card: almost £8,000 in 2017, £11,000 in 2018 and over £16,000 in 2019. She'd almost reached her credit card limit of £5,500 and was now asking for over £19,000 to clear her card again and refinance her loan. In addition, MSFS learnt through its checks that Mrs B was a guarantor for a large secured loan of over £60,000 for a family member with monthly repayments of over £700. It decided not to lend to her because her indebtedness had increased over the years and this pattern of borrowing along with her existing commitments meant that there was a risk to her that another loan would impact adversely on her financial situation.

I think MSFS acted in line with the regulator's rules and guidance on responsible lending on this occasion and it didn't treat Mrs B unfairly by declining to lend to her.

I have considered that MSFS didn't get everything right during the application process and that this caused distress and inconvenience to Mrs B. Mrs B had to resend some information to MSFS and she'd received a letter to say she hadn't been in touch when in fact she had. MSFS acknowledged this was poor service. As set out on our website, an award of up to £100 might be fair where there were small administrative errors which were quickly put right. I think that an award in this range would be appropriate here and MSFS's offer of £75 is a fair reflection of its errors.

My final decision

As I've set out above, I am not upholding Mrs B's complaint and don't require Marks & Spencer Financial Services plc to take any further action beyond honouring its offer to pay £75 to Mrs B.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 30 August 2022.

Michelle Boundy
Ombudsman