

## The complaint

Mr S complains that UK Credit Limited ("UK Credit") lent to him in an irresponsible manner.

## What happened

Mr S was given a guarantor loan by UK Credit in August 2015. He borrowed £4000 and agreed to repay this over 48 months. Mr S has repaid this loan.

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

*"UK Credit gathered some information from Mr S before it agreed to lend. It asked Mr S about his income and expenditure. It says it verified his income by checking a payslip and called him to discuss his expenditure. It carried out a credit check and used this to work out his credit commitments. Those checks suggested Mr S had enough disposable income each month to afford the loan repayments.*

*Mr S was entering into a significant commitment with UK Credit. He was agreeing to make monthly repayments for a period of 4 years. So, I think it is right that UK Credit wanted to gather, and independently check, some detailed information about Mr S's financial circumstances before it agreed to lend to him. 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 Mr S had a credit card, 2 bank accounts and 3 loans. He had recently obtained 2 of the loans. Our investigator concluded that Mr S had recently taken out credit and increased his indebtedness in a short space of time. I can see from looking at the credit search results why they would conclude this. One of the loans in particular was only taken a month before Mr S asked for this one. 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 Mr S about his income and expenditure. Mr S told UK Credit that he was going to use the loan to pay off the balance of his credit card. I think it is reasonable for UK Credit to rely on what he said here and discount most of the payment to the credit card from the credit commitments that it assessed him to have at that time. And I can see that it did do this.*

*The credit Mr S had taken out seemed to be well managed. He was not in arrears with any of his accounts and I couldn't see any other signs that he was having problems managing his finances or that the loan wasn't affordable for him. I think when I consider how much Mr S's verified monthly income was, and what he declared to UK Credit he had in essential spend, I think the credit he had taken out was, on balance, affordable for him. The repayments on his 3 loans and the repayment for this loan did represent a fairly sizable proportion of his monthly income. But in the circumstances, I have already described, on balance, I think the loan was sustainably affordable for him.*

*I think that the checks UK Credit performed were proportionate and didn't suggest that Mr S was facing any current problems in managing his finances. I think UK Credit was entitled to rely on what Mr S said about his finances, and what he intended to use the loan for. And that information suggested that he 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 Mr S."*

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. UK Credit responded. It said it had no further comments to make. Mr S's representatives responded and said it disagreed with my findings. It said there were multiple gambling transactions on the bank statements provided by Mr S along with overdraft charges, returned direct debits and that his monthly salary wouldn't have taken him out of the amount he was overdrawn by. It also added that after the loan was approved there were then multiple adverse accounts and a dependency on payday loans. It doesn't think UK Credit should have provided the loan to Mr S.

### **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.

Mr S's representatives say there was a lot of adverse information within the bank statements that he has provided from the time the loan was granted. This includes multiple gambling transactions, returned direct debits and overdraft charges. I can see what it is referring to. But UK Credit has said that on this occasion it didn't request bank statements at the time it agreed this loan. So, it wouldn't have had these statements to hand at the time that it carried out its affordability assessment. There was no requirement for it to gather bank statements from Mr S – only that it carried out proportionate checks. And I have concluded on this occasion that it did do so. With the information it had in front of it, on balance, it would have seen Mr S wasn't facing any problems in managing his finances and that the loan was affordable for him.

Mr S's representatives also add that that after the loan was agreed, there were multiple adverse accounts in Mr S's name, and he went on to have a dependency on pay day loans. But this isn't something UK Credit would have known at the time it granted this loan.

It follows that I don't think UK Credit was wrong to give the loan to Mr S. So, I do not uphold his complaint.

### **My final decision**

My final decision is that I do not uphold Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 June 2022.

Mark Richardson  
**Ombudsman**