

The complaint

Mr M complains that Bank of Ireland (UK) Plc lent to him irresponsibly.

What happened

In May 2020, Mr M took out a loan for £5,000 with Bank of Ireland. The loan was to be repaid over 24 months with repayments set at £246.20 a month.

In July 2020, Mr M took out a second loan with Bank of Ireland. This was for £4,000 to be paid back over 24 months with repayments set at £196.96 a month.

Mr M later complained that Bank of Ireland had lent to him irresponsibly. He said he'd had a gambling problem when he'd applied for the loans.

Bank of Ireland said it had approved Mr M's loan applications based on the information he'd submitted and a credit check. It said the information matched Bank of Ireland's lending criteria which was in place to ensure it only approved loan applications it believed to be affordable. It didn't agree it had lent to Mr M irresponsibly.

Mr M remained unhappy and asked our service to consider his complaint. Our investigator looked into Mr M's concerns but didn't think his complaint should be upheld. The investigator was satisfied that Bank of Ireland had carried out proportionate checks which suggested the lending was affordable. He didn't think Bank of Ireland would have been aware of Mr M's gambling problem.

Mr M disagreed with our investigator's view. He said he didn't think it was fair for Bank of Ireland to profit from his gambling problem. He'd spent all of the money he was given on gambling. His credit file was severely impacted, and he'd had to take out a high interest loan to cover the arrears. He said the earnings our investigator had referred to was his gross pay, not his net pay, which meant his pay was £1,000 less than Bank of Ireland had used in its affordability calculation. So, his complaint has been passed to me to decide.

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.

Having done so, I've decided not to uphold Mr M's complaint. I'll explain why. The relevant rules, regulations and guidance required Bank of Ireland to carry out reasonable and proportionate checks to ensure Mr M could afford to repay the loans in a sustainable manner.

The checks needed to be borrower-focused. It wasn't enough for Bank of Ireland to think only about the likelihood of getting its money back. It also had to ensure that making the repayments wouldn't cause Mr M undue difficulty or have adverse consequences for him.

There isn't a set list of checks that lenders need to carry out, but they should be proportionate, taking a number of factors into consideration. These factors include the amount, type and cost of the credit as well as the personal circumstances of the consumer.

Loan 1

Before granting the first loan of £5,000 in May 2020, Bank of Ireland gathered information from Mr M and it also checked his credit file. According to Bank of Ireland's records, Mr M said he was taking out the loan for home improvements and he gave his monthly income as £2,700. He told Bank of Ireland that his mortgage was £533 a month. Bank of Ireland estimated his cost of living expenditure to be £626 a month. Information from Mr M's credit file showed that his existing credit commitments were around £232 a month. After taking into account the repayments for the new loan, Mr M would be left with disposable income of around £1,063 a month.

Mr M says £2,700 was his gross income and his net monthly income was much lower than this. However, Bank of Ireland didn't only rely on the information Mr M had provided on his application, it used data from a credit reference agency to validate it.

Mr M has questioned why this check didn't flag why his income was around £1,000 a month lower than the amount he'd declared on the application. But this type of check is based on the turnover of a current account. The data includes a sum of income received into an account but doesn't breakdown the information. So, it wouldn't always flag if someone had overstated their salary.

I appreciate Mr M feels that Bank of Ireland should have carried out further checks to validate his income and expenditure. But I think Bank of Ireland's checks were reasonable and proportionate under the circumstances. There was also nothing on Mr M's credit file that I think should have given Bank of Ireland cause for concern or prompted it to carry out further checks. There were no recent defaults or County Court judgments, for example. So, I think it was reasonable for Bank of Ireland to have concluded that the lending was affordable.

Loan 2

Before granting the second loan of £4,000 in July 2020, Bank of Ireland gathered information from Mr M and it also checked his credit file. According to Bank of Ireland's records, Mr M said he was taking out the loan for debt consolidation and he gave his monthly income as £2,258. He told Bank of Ireland that his mortgage was £260 a month. Bank of Ireland estimated his cost of living expenditure to be £580 a month. Information from Mr M's credit file showed that his existing credit commitments were around £477 a month. After taking into account the repayments for the new loan, Mr M would be left with disposable income of around £744 a month.

Mr M's credit file shows that his mortgage repayments were double what he'd stated on his application. But I can see it was a joint mortgage. The lending would still have appeared affordable even if Bank of Ireland had used the full mortgage figure in its calculation. I think Bank of Ireland's checks for the second loan were reasonable and proportionate. I don't think there was anything showing on Mr M's credit file that ought to have given Bank of Ireland cause for concern or prompted it to carry out further checks. So, I think Bank of Ireland's decision to grant the second loan was also reasonable.

I know my answer will be disappointing for Mr M, who has told us he developed a severe gambling problem shortly before taking out the first loan with Bank of Ireland. He says he

didn't receive any benefit from the loans because they were used for gambling. He's commented that he doesn't think Bank of Ireland should profit from his gambling problem.

However, I don't think reasonable and proportionate checks would have extended to Bank of Ireland reviewing Mr M's bank statements. And there's nothing else to suggest that Bank of Ireland was or ought to have been aware that Mr M was likely to use the money it lent to him for gambling.

I empathise with Mr M, but I could only uphold his complaint if I thought Bank of Ireland had done something wrong. And I'm not persuaded that it has.

Although I'm not upholding Mr M's complaint, I'd like to remind Bank of Ireland of its duty to treat him positively and sympathetically if he is still having difficulty repaying the loans.

My final decision

For the reasons I've explained, I don't uphold 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 11 July 2022.

Anne Muscroft
Ombudsman