

The complaint

Mr B complains that etika Finance UK Limited irresponsibly granted him a fixed sum loan agreement he couldn't afford to repay.

What happened

In May 2017, Mr B was provided with a fixed sum loan agreement by Etika to pay for a training course. Mr B paid a deposit of £30 and was required to make 48 monthly repayments of £90. The total repayable under the agreement was £4,324.

Mr B says that Etika didn't complete adequate affordability checks. He says if it had, it would have seen the agreement wasn't affordable. Etika didn't agree. It said that it carried out a thorough assessment which included a credit check, bank and ID check and income and expenditure check.

Our adjudicator didn't recommend the complaint be upheld. She thought Etika didn't act unfairly or unreasonably by approving the finance agreement.

Mr B didn't agree and asked for his complaint to be reviewed by an ombudsman.

The case has been passed to me for a final decision.

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.

Etika will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Before granting the finance, a credit check was completed and although I haven't seen a copy of this, having reviewed the credit report provided by Mr B, this doesn't show any county court judgements or defaults. While Mr B did have other credit commitments these were being settled and so, based on what I have seen, I do not find that the information in the credit report meant that further checks were required.

Mr B was asked about his employment. He said he was employed full time with a monthly income of £1,000. I haven't seen evidence to show that Mr B was asked details about his expenditure. Although a credit check was completed and information obtained about Mr B's ongoing credit commitments, this won't have indicated what Mr B's regular living expenses were. Without knowing what Mr B's regular committed expenditure was Etika wouldn't have got a reasonable understanding of whether the agreement was affordable or not. It therefore didn't complete proportionate checks.

I've reviewed the information and evidence gathered. I can't be certain what Mr B would have said had he been asked about his regular expenditure. But I've placed significant weight on the information contained in Mr B's statements as an indication of what would most likely have been disclosed.

I've reviewed the bank statements provided for the time prior to the application. These show Mr B was paying around £80 a month to a communication provider and around £250 for food and fuel. I note Mr B's comments that he was spending all his earnings and had limited left at the end of each week, but his statements show limited fixed commitments. Mr B's credit file didn't show anything that would suggest he was paying more than had been included in the assessment. At the time Mr B declared a monthly income of £1,000 and his bank statements show a slightly higher amount. Taking these figures into account, it appears to show the agreement was affordable to Mr B. For this reason, I'm not persuaded that Etika acted unfairly in approving the finance.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 23 August 2022.

Jane Archer
Ombudsman