

## The complaint

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

## What happened

Mr B was given a guarantor loan by UK Credit in September 2017. He borrowed £4,000 and agreed to repay this over 24 months. Mr B has now repaid this loan.

I issued a provisional decision on this complaint in July 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 Mr B before it agreed to lend. It called Mr B to discuss his income and expenditure. It carried out a credit check and used this to work out his credit commitments. Those checks suggested Mr B had enough disposable income each month to afford the loan repayments.*

*Mr B was entering into a significant commitment with UK Credit. He 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 Mr B'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 B had made extensive use of the credit available to him and in particular he had a number of loans that he was repaying. Mr B had defaults and a CCJ recorded on his file, but I can see that these were from a few years before he applied for this loan. I can see that Mr B was meeting all of his other credit repayments when they fell due and overall didn't have too much that UK Credit ought to have been too concerned about from what was on the search.*

*I have also listened to a call between the parties, where UK Credit went through the credit search and also asked Mr B about his income and expenditure. Mr B told UK Credit that he was going to use the loan for debt consolidation and told it what he was going to pay off. I think it is reasonable for UK Credit to rely on what he has said here.*

*Mr B was living at home and told UK Credit that he contributed about £150 to the household. I think when I consider how much Mr B's declared monthly income was, and how little he declared to UK Credit he had in essential spend, I think the credit he had taken out was affordable for him. The repayment on the remaining credit commitments 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 appreciate that Mr B'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 Mr B was facing any current problems in managing his finances (his defaults and CCJ being from a few years previous to this application). I think UK Credit was entitled to rely on what Mr B 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 B."*

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. UK Credit responded and said it had no further comments.

Mr B responded through his representatives, and said he took a loan out around the same time that shows he was in a cycle of dependency on credit.

### **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 B said in his response to my provisional decision that he took out a loan around the same time as this one that proves he was in a cycle of dependency on credit. I took this into consideration when I looked at Mr B's complaint, and then issued my provisional decision, not upholding it.

I concluded after looking at all documentation provided, that UK Credit carried out proportionate checks. And from the information it gathered, I think on balance, the repayments for this loan looked affordable for Mr B. I also don't think there was enough information gathered that ought to have given UK Credit concerns, enough to either take further action or not give the loan to Mr B. And after receiving comments from both the parties, I don't see any reasons to change my findings.

I know this will be a disappointment for Mr B and I acknowledge the comments he has made, but on this occasion, I am not persuaded to change the outcome of his complaint.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 22 August 2022.

Mark Richardson  
**Ombudsman**