

The complaint

Mr H complains that Asgard Financial Services Limited irresponsibly lent to him. He says he couldn't afford the loan and it shouldn't have been lent.

What happened

Asgard lent a loan for £3,500 in December 2016, the loan was repaid over 24 monthly instalments of £203.11. Mr H said the purpose of the loan was for debt consolidation and a holiday. There's still an outstanding balance on the loan.

Our adjudicator thought Asgard didn't do enough before agreeing to lend and asked it to remove interest fees and charges so that Mr H only repays the principal amount he borrowed. Asgard disagreed that its checks weren't enough but offered to accept a payment of £3,217 which includes a write off £283 from the principal borrowed.

Our adjudicator put the offer to Mr H and explained that the offer from Asgard was more generous than she had recommended. Mr H didn't accept the offer, he said he had a severe gambling problem and Asgard should write off any outstanding balance.

As the complaint hasn't been resolved, it's been passed to me for a 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.

I think Asgard's checks suggested that Mr H was reliant on credit based on the number and frequency of high cost loans showing on his credit file. It would have been reasonable for Asgard to have taken its checks further in the circumstances. I've taken into account Asgard's point that Mr H's loans were in order and he was taking out this loan to consolidate his other borrowing. However, I think it would have been reasonable for Asgard to have been curious about why Mr H needed to borrow so often even though it looked like he was maintain his repayments.

Further checks would likely have shown Mr H was gambling and Asgard shouldn't have lent in the circumstances.

When we think a complaint like this should be upheld, it is usually fair for the consumer to repay the capital they borrowed, and our recommendation is for the interest, fees and charges to be removed. This is what the adjudicator has recommended and Asgard has made an offer that puts Mr H in a position better than the adjudicator's recommendation.

I've thought carefully about Mr H's point that because of his severe gambling he should never have been given this loan. As stated above further checks would likely have revealed this to Asgard but I'm also mindful that it didn't carry out those checks and so didn't see the gambling on Mr H's bank statement, I haven't seen evidence to show that it had actual knowledge of Mr H's gambling at the time, for example Mr H telling Asgard he had a gambling problem, that may have made the lending reckless.

From what I can see, Mr H has been making the loan repayments and the overall circumstances don't lead me to think the capital write off will be appropriate in these circumstances.

I think Asgard's offer is fair in the circumstances and will remind Asgard to treat Mr H positively in financial difficulty and agree a suitable repayment plan if Mr H needs it.

In summary, when reconstructing Mr H's circumstances at the time, Asgard shouldn't have lent to him but in my opinion the lending wasn't reckless and it's fair for Mr H to repay the capital. Mr H can contact Asgard directly to accept the offer.

Putting things right

Asgard should ensure interest, fees and charges aren't added to Mr H's loan amount and it shouldn't charge sums it has offered to write off.

My final decision

For the reasons given above, I uphold Mr H's complaint and direct Asgard Financial Services Limited to put things right as set out above.

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

Oyetola Oduola
Ombudsman