

The complaint

Mr G is complaining that Hitachi HC Capital UK PLC trading as Hitachi Personal Finance lent to him when it shouldn't have.

What happened

Hitachi lent Mr G one loan in July 2016. The loan was for £7,350 to be repaid in 60 monthly instalments of £156.29. In May 2019, the outstanding balance on Mr G's account was passed to debt collections.

Mr G complained about the lending to Hitachi, but it didn't uphold his complaint, it said it carried out sufficient checks that showed Mr G could afford the loan. Mr G then referred his complaint to this service where it was looked at by one of our adjudicators.

Our adjudicator didn't think Hitachi was wrong to lend to Mr G and so he didn't recommend that the complaint should be upheld. Mr G disagreed and asked for an ombudsman's decision, he said had Hitachi taken its checks further to request his bank statements, it would have seen that he was borrowing from short term lenders and gambling significantly.

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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

Hitachi is aware of its obligations under the rules and regulations in place at the time of this lending decision, including the Consumer Credit Sourcebook ("CONC"), so I won't repeat them here. But, briefly, it was required to carry out sufficient checks to ensure that Mr G would be able to repay the borrowing applied for in a sustainable way. As set out in CONC 5.3.1G(2) that means that he could manage the repayments,

"...without...incurring financial difficulties or experiencing significant adverse consequences"

Hitachi has provided evidence to show the results of its search into Mr G's credit file. The results of its search show that Mr G was making around £463.74 towards revolving credit payments, things like credit cards and around £331 towards fixed term payments like other loans. The check also show that Mr G had a £44,000 mortgage which he was repaying.

Hitachi lent to Mr G on the basis that his income was around £44,999.50 per annum and so he'd receive £2,844.63.

Mr G has provided information to say his level of borrowing was increasing at the time and this should have been clear to Hitachi when it searched his credit file and that should have made Hitachi take its checks further.

I've thought about what Mr G said and this was his first loan with Hitachi, as far as I can see there wasn't a previous lending relationship between Mr G and Hitachi. Also, the loan repayment represented a small fraction of Mr G's monthly income.

Hitachi's checks show that Mr G's borrowing was increasing but it also shows he could afford and manage the credit repayments. Mr G would be repaying around £951 towards monthly credit commitments, this amount includes the repayment of this loan. Even with Mr G making his full mortgage repayment without contributions from his spouse he'd have been left with sufficient disposable income to afford the loan repayment over the term.

Mr G has said further checks would have shown he was gambling and has provided bank statements to show this. Mr G indeed had several gambling transactions, but this wasn't something Hitachi found out from its reasonable checks here. And looking at the overall circumstances of the lending, I don't think Hitachi needed to take its checks further.

The checks were sufficient and proportionate to the circumstances of the lending and those checks show Mr G could afford the loan and I don't think it was wrong for Hitachi to lend in those circumstances.

I appreciate my findings will likely disappoint Mr G as I can see he feels strongly about his complaint, but I hope my explanations helps him understand why I've reached these conclusions.

My final decision

For the reasons given above, I don't uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 7 November 2022.

Oyetola Oduola
Ombudsman