

## **The complaint**

Mr N complains that Clydesdale Financial Services Limited trading as Barclays Partner Finance (BPF) irresponsibly granted him two fixed sum loan agreements he couldn't afford to repay. He also complains that he was pressured into signing the agreements.

## **What happened**

May 2016, Mr N entered the first fixed sum loan agreement with BPF, for the supply and installation of windows. He paid a deposit of £100. There was an option to repay the finance within the first six months with no interest after which repayments of around £65 were required over 120 months. The total repayable under the agreement was around £7,900.

In February 2017, Mr N entered a second fixed sum loan agreement with BPF for the supply and installation of a conservatory and doors. There was an option to repay the finance within the first six months with no interest after which repayments of around £68 were required over 180 months. The total repayable under the agreement was around £12,320.

Mr N says that he felt pressured into signing the agreements and that BPF didn't complete adequate affordability checks. He says if it had, it would have seen the agreements weren't affordable. BPF didn't agree. It said that after receiving Mr N's complaint it requested evidence of his income from the time of the applications for finance. It carried out affordability checks based on the information provided confirming that the lending criteria remained the same as when the applications were initially made. It said its checks showed both loans were affordable.

Our investigator didn't recommend the complaint be upheld. She thought BPF didn't act unfairly or unreasonably by approving the finance agreements.

Mr N didn't agree and reiterated the expenses he had at the time against his income and said that he had needed to reduce his payments for his utilities putting him in more debt. He restated that he had been pressured into signing the agreements and that they were unaffordable.

## *My provisional conclusions*

I issued a provisional decision on this complaint. I concluded in summary:

- Limited information was provided about the checks carried out by BPF before the finance was provided. The cover letter for the May 2016 loan agreement noted this being based on Mr N having an income of £16,640 but I didn't have further details of this. The second agreement (February 2017) referred to an income of £10,000 but again I didn't have further details.
- Mr N was required to repay a total of around £7,900 for the May 2016 loan and around £12,300 for the February 2017 loan. The loans were for durations of 120 and 180 months respectively. At the time of the loans being provided Mr N's income was

his pension and pension credits. Given the overall size of the borrowing, the monthly repayments and the term of the agreement, I thought it would have been proportionate for BPF to have verified Mr N's income before providing the finance.

- BPF carried out a retrospective affordability assessment out based on income information provided for the time of the applications and said the agreements were affordable. But I couldn't see evidence that Mr N's expenditure was assessed at the point of the loans being agreed or in the retrospective assessment and I hadn't seen details of any credit searches from the time. Without knowing what Mr N's regular committed expenditure was, I didn't think BPF wouldn't have got a reasonable understanding of whether the agreements were affordable or not.
- I considered what BPF would likely have found out if it had completed reasonable and proportionate affordability checks. Mr N provided copies of his pension information as well as his bank statements for the months leading up to the agreements. These showed Mr N's combined pensions and pension credits provided an annual income of around £10,000 for Mr N resulting in a monthly income of around £830. Additional to this his wife was receiving a pension of around £50 a week. This gave a monthly household income of just over £1,000.
- I couldn't be certain what Mr N would have told BPF had it asked about his regular expenditure. But in the absence of anything else, I placed significant weight on the information contained in Mr N's statements as well as the additional information he provided about his costs as an indication of what would most likely have been disclosed. The bank statements from around the time of the applications showed limited expenditure with insurance and a home warranty totalling an average of around £41 a month. Additional to this, Mr N explained that he was paying £210 for utilities (gas, electric, water and telephone) £240 a month on food and other essentials, £138 on car expenses and £120 for his credit card. I didn't have further evidence of these amounts, but I didn't find them unreasonable. This gave a total of around £750. In regard to mortgage costs it has been explained Mr N had an interest only mortgage which was covered by his pension credit. Therefore, Mr N's disposable income after living costs and other financial commitments and before the finance agreement repayments was around £250.
- The initial agreement required repayments of around £65 a month. As the finance was for new windows and therefore for the benefit of the household rather than Mr N specifically, I thought it reasonable that the household income was taken into account. Based on this and the expenses information provided, I didn't find I had enough to say that had further checks taken place, BPF should have found the agreement to be unaffordable.
- Mr N's second agreement was taken out less than a year later. This agreement was for a larger amount than the first agreement and had a term of over 15 years (180 monthly payments starting after six months). Taking into account the first agreement, the household monthly disposable income would have been around £185. The second agreement required monthly payments of around £68. This would bring the household disposable income to just over £100. Considering the term of the agreement and that Mr N had a fixed income from his pension and pension credits, I thought that the limited amount of disposable income raised concerns that the agreement wouldn't be sustainably affordable over the term. Mr N said he had to reduce payments to other household bills and I thought the low level of disposable income meant that BPF should have been concerned that Mr N was at risk of not

being able to maintain the repayments over the term without having to either borrow more or not meet other commitments.

- Mr N said that he was pressured into signing the agreements. I was sorry to hear this but I also noted that Mrs N has said that they needed the new windows and so it appeared that the first agreement at least was an acquisition they wished to make. There was a right to withdraw from the agreements and so had Mr N felt pressured at the time he could have used that option. On balance I didn't find I had enough evidence to uphold this part of Mr N's complaint.

Both parties responded to my provisional decision.

BPF said that credit checks were carried out before the loans were provided and that these didn't show that Mr N had a credit card at the time. It said its checks showed no existing credit commitments at the time of the first agreement and only the existing BPF loan at the time of the second agreement. It didn't think it reasonable that the assessment was based on Mr N's recollections of his costs as these could be inaccurate as it said was the case in regard to the credit card. It said that Mr N had maintained the repayments under the second agreement and hadn't raised with BPF that he was in financial difficulty.

Mr N said that the £100 deposit was paid to cover both loans as they were part of the same project. He said he contacted the supplier three weeks after signing the first agreement to say he didn't wish to go ahead but was told the windows had been ordered. He says at the start he was told the windows and doors weren't safe being single glazed and so he should have them replaced.

### **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.

BPF 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.

In my provisional decision I said that I hadn't seen credit checks undertaken by BPF. BPF said in response to this that these were undertaken and no credit commitments aside from the BPF loans were shown. It has provided copies of its checks to support this and Mr N has confirmed the credit card was taken out after the agreements, saying that this was needed to meet his expenses.

I appreciate the comments BPF has made about the evidence of Mr N's expenses. I agree that it is preferable to have documents to support all expenses however in this case these aren't available. It isn't unreasonable to rely on a consumer's testimony about the expenses at the time and to assess whether these appear reasonable given their circumstances. In this case I find the expenses that were provided were either supported by other evidence or appeared reasonable. I note the issue regarding the credit card repayment but aside from this I do not find it unreasonable to include Mr N's estimates for his utilities, food and car alongside the evidenced costs of for his insurance and warranty. Excluding the credit card payments of £120 this would give household expenses of around £630 before the credit agreements. With household income of around £1,000 this would give disposable income before the first agreement of around £370 and before the second agreement of around £300.

As I noted in my provisional decision, I do not find I have enough to say the first agreement shouldn't have been provided. I note Mr N's comments about the agreement being linked and that he asked shortly after he signed the first agreement not to go ahead. But without further evidence of his request and noting that two separate agreements were set up, I think it reasonable not to uphold the first agreement.

While the numbers have changed in regard to the removal of the credit card payment, I am still concerned by the second agreement. I hadn't noted that Mr N was also paying £6 a month for arranged overdrafts fees on his bank account which was a further cost but also shows he was operating within an overdraft rather than credit position. The second agreement was for 180 months, a longer term than the first. This is a significant amount of time and noting Mr N was on a fixed income and that this assessment is based on the combined household income I think the disposable income left after the repayments on the second agreement and the duration for which these payments were required should have raised concerns about how sustainable these repayments were. I note BPF's comment about repayments being made but I also note that Mr N has shown his credit card to be over its £4,000 limit, he has an interest only mortgage with no endowments to support this and has said he has reduced payments elsewhere. I think this supports his claim that the repayments weren't sustainable over the duration of the agreement.

Therefore, on balance, I think there is enough evidence to make a decision about this complaint and I uphold it in respect to the second loan agreement.

### **Putting things right**

My final decision is that I partially uphold this complaint against Clydesdale Financial Services Limited trading as Barclays Partner Finance. I do not find that the second agreement (February 2017) should have been considered affordable.

The conservatory has been installed and I do not find that it would be reasonable for this to be removed. However, as I don't think BPF ought to have approved the lending, I don't think it's fair for it to be able to charge any interest or charges under the agreement. Mr N should therefore only have to pay the original cash price of the conservatory and doors, being £8,599.60.

If Mr N has paid more than £8,599.60 the overpayments should be refunded to him along with 8% simple interest per year\* from the date of each overpayment to the date of settlement. If the original cash price hasn't yet been paid, BPF should work with Mr N to arrange an affordable repayment plan.

In the event any adverse information has been recorded on Mr N's credit file in relation to this agreement, this should be removed once the original purchase price has been paid.

\*HM Revenue & Customs requires BPF to take off tax from this interest. BPF must give Mr N a certificate showing how much tax it's taken off if Mr N asks for one.

### **My final decision**

My final decision is that I uphold this complaint. Clydesdale Financial Services Limited trading as Barclays Partner Finance should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 12 January 2023.

Jane Archer  
**Ombudsman**