

The complaint

Mr F complains that Bank of Ireland (UK) Plc trading as Post Office Financial Services irresponsibly gave him a loan that he couldn't afford. For simplicity, I will refer to the business throughout as 'Bank of Ireland'.

What happened

In December 2020, Mr F applied for a loan with Bank of Ireland. He was given a loan of £4,000 and the monthly repayment was £102.19.

In 2021, Mr F complained to Bank of Ireland to say that the account shouldn't have been opened for him because it wasn't affordable.

Our adjudicator recommended the complaint be upheld. Bank of Ireland didn't agree. So, the complaint was passed to me to decide.

I issued my provisional decision in respect of this complaint on 26 September 2022, a section of which is included below, and forms part of, this decision. In my provisional decision I set out the reasons why I didn't agree with the adjudicator's view and that it was my intention not to uphold Mr F's complaint. I set out an extract below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

Bank of Ireland 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.

Mr F's complaint is that Bank of Ireland made credit available that was unaffordable. Bank of Ireland has explained that it relied in part on information that Mr F provided at the time of application to assess affordability. They said they carried out a credit search in Mr F's name to assess Mr F's level of debt at that time and to understand how he had been managing that debt. With that information and using their own scoring metric, Bank of Ireland decided to agree to the loan of £4,000. So, there was some assessment of affordability at the time of the sale.

The Bank of Ireland checks showed that Mr F had over £24,000 in unsecured loans. Mr F recalls having more debt than this figure. But Mr F also explained that he was in the habit of borrowing informally from friends and family. And those borrowings wouldn't have been visible to Bank of Ireland on their credit check.

It is also worth noting that Mr F's credit file was very clean at the time of the loan application. When I say this, I mean that Mr F's management of his existing credit showed no recent history of CCJ's, defaults or any late payments. So, it seemed from the credit file that at the point that the lending decision was made, Mr F was affording his existing credit. And so, Bank of Ireland were not put on notice of any reason not to agree the lending from that. And so, I don't think that the information that Bank of Ireland had at the time of the lending decision, would have led them to feel they ought to make more searching enquiries of Mr F's expenditure.

But, considering the amount of the loan Mr F was taking, the amount he would have to repay for it in total and his existing borrowings, I think that Bank of Ireland could have made more searching enquiries into Mr F's income. I say this as the regulations suggest that they could have sought corroboration for the declared income. But had they sought clarification through payslips, I do not believe that what they would have seen anything that would have made the loan seem unreasonable. And this loan was reasonably modest compared to Mr F's declared income.

Mr F has explained that he had a gambling habit at the time which was the prime cause of his existing borrowings and the one he was applying for with Bank of Ireland. But Mr F also told us that he had not told Bank of Ireland about the gambling habit. And, as discussed above, the gambling habit had not led Mr F to blemish his credit file at the time he applied for the loan. And Mr F has explained he had worked hard to borrow money informally from friends and family to repay his debts.

I have to look at the information that was available to Bank of Ireland at the time it made its lending decisions and not to use hindsight. Bank of Ireland was not made aware of the habit at the time the loans were made. And I have seen insufficient evidence that the other information that Bank of Ireland acquired or had presented to it at the time of the lending decision, would have led them to think that they were remiss in not checking Mr F's expenditure more closely.

So, having considered all the submissions made in this case, I have seen insufficient evidence to think that the credit Bank of Ireland provided to Mr F was unreasonable.

I know that Mr F will be disappointed with my decision, in itself and because he has invested time and energy in pursuing his complaint. And I want Mr F to know that I was sorry to hear of the issues he has and is facing. But I want Mr F to know that I considered all the submissions made in this case. And having considered all the submissions in this case, particularly those concerning the time of the lending decision, I have not found sufficient evidence to uphold this complaint."

I asked the parties to the complaint to let me have any further representations that they wished me to consider by 10 October 2022. Bank of Ireland has not acknowledged receiving the provisional decision, made any further submissions nor asked for an extension to do so. I think Bank of Ireland has had sufficient time to make a further submission had it wished to do so. So, I am proceeding to my final decision.

Mr F has acknowledged receiving the decision and has made further submissions. Mr F is disappointed with the outcome of my provisional findings. So, I am proceeding to my 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.

I've considered again all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I have reread the entire file and all of the submissions post decision in order to reach what I think is a fair and reasonable decision in this complaint. In doing so, I have confined my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

Mr F thinks my judgment is not in step with the guidance on our website. That guidance is general in nature. My decision is based on the particular details of Mr F's case. And I consider it to be in line with our standard approach.

Bank of Ireland procured credit information to see how Mr F was managing his credit before making its lending decision. And at the time that Bank of Ireland made its lending decision Mr F had a clean credit record. So, Mr F appeared to be managing his credit at that time, as he had not allowed his credit file to be adversely affected. And Mr F declared a good level of income and supplied some expenditure information with his application. And these all suggested that the new lending would be affordable.

So, Bank of Ireland appeared to have little reason to make further enquiries into Mr F's expenditure at that time based on the information it was provided by Mr F and it procured for itself.

I know that Mr F is disappointed with this because had Bank of Ireland seen the bank statements that Mr F has supplied us in the investigation of his complaint, it is very likely his gambling addiction would have been evident. But as I mentioned in the provisional decision, Mr F did not share information about his addiction with Bank of Ireland. And so, Bank of Ireland were denied information that may have changed their lending decision. So, considering the information that Bank of Ireland did have at the time of the lending decision, I think they had no reason to make more searching enquiries than they did.

So, having considered all the submissions made in this case, and in the absence of any extra evidence from Mr F to the contrary, I'm not persuaded that based on the information provided to Bank of Ireland, or what Bank of Ireland could see of Mr F's management of other credit ought to have prompted it to have acted differently than it did.

My final decision

For the reasons set out, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 14 November 2022.

Douglas Sayers
Ombudsman