

## **The complaint**

Mr A complains that Mitsubishi HC Capital UK Plc irresponsibly lent to him.

## **What happened**

In November 2021, Mr A applied and was accepted for a fixed sum loan agreement with Mitsubishi HC Capital UK Plc ("Mitsubishi"). The purpose of the loan was to purchase jewellery from a supplier. The loan was interest-free and the total amount repayable was £1,585 to be repaid by 18 monthly repayments of £88.05.

Mr A complained to Mitsubishi in January 2023 saying that they hadn't carried out appropriate checks before they accepted his credit application. He explained that he was suffering from a gambling addiction at the time. Mitsubishi said their decision to lend was responsible as Mr A could afford the repayments and that they took reasonable steps to verify the information he had given to them. Mitsubishi also said that they had no reason to know or suspect that Mr A was suffering from a gambling addiction at the time.

Our investigator didn't uphold Mr A's complaint. He felt that Mitsubishi had carried out reasonable and proportionate affordability checks and that they hadn't acted unfairly in approving Mr A's application.

Mr A didn't agree and so his complaint has 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.

Before lending to Mr A, Mitsubishi were required to ensure that the borrowing was affordable and sustainable. There isn't a set list of checks that needed to be undertaken, however, the rules required that checks were proportionate to the circumstances of the lending. What is considered proportionate will vary in each case. In deciding what proportionate checks ought to be, Mitsubishi needed to take into consideration things such as (but not limited to): the amount borrowed, the total amount repayable, the size of the regular repayments, the term, and Mr A's circumstances.

On the loan application, Mr A declared that he was employed full-time earning between £40,000 and £49,999 and that he was currently renting. From that, Mitsubishi worked out that Mr A's net monthly income was £2,844.63.

The Financial Conduct Authority's Consumer Credit Sourcebook ("CONC") deals with a way a firm should assess a customer's income and expenditure. CONC 5.2A.15R says (among other things) that a firm "must take reasonable steps to determine the amount, or make a reasonable estimate, of the customer's income." and that "...the firm must take account of the customer's income it has determined or estimated..."

I note also that guidance in CONC 5.2A.16(3)G includes that: "For the purpose of considering the customer's income under CONC 5.2A.15R, it is not generally sufficient to rely solely on a statement of current income made by the customer without independent evidence (for example, in the form of information supplied by a credit reference agency or documentation of a third party supplied by the third party or by the customer)."

Mitsubishi says that they validated Mr A's declared income using data from credit reference agencies. The information Mitsubishi has sent to us doesn't clearly show me how they did this though. I've seen a copy of the information they considered at the time which shows that they estimated Mr A's annual income as £44,999.50 but it's not clear how they reached that figure. I note also that Mitsubishi has said that they worked out Mr A's likely net monthly income themselves. So, I'm not entirely persuaded that Mitsubishi did validate Mr A's income as they say. It's possible that they simply estimated this from the salary range that Mr A used in his application.

However, even though I have some doubt about whether Mitsubishi independently verified Mr A's income, that doesn't in itself make their assessment unfair or unreasonable. In addition to income there is also the question of expenditure. Even if Mitsubishi accepted Mr A's income at the stated level, they needed to make a reasonable assessment of his outgoings. CONC 5.2A.17R requires that a firm "must take reasonable steps to determine the amount, or make a reasonable estimate, of the customer's current non-discretionary expenditure" and must take account of that determination or estimate in their assessment.

Mitsubishi used statistical data to estimate part of Mr A's expenditure. CONC 5.2A.19 indicates that the use of statistical data is acceptable for this, unless the firm knows or has reasonable cause to suspect the statistical data is unlikely to be reasonably representative of the customer's situation. I've no reason though to conclude that Mitsubishi knew or had reasonable cause to suspect the statistical data would be unrepresentative of Mr A's situation. So, I don't find it was unreasonable of Mitsubishi to use this method in its assessment of Mr A's expenditure. From that, Mitsubishi estimated Mr A's monthly rent as £450.56 (to which they attributed 50% of that amount for Mr A directly). They also saw from the credit check that they carried out that Mr A's existing monthly credit commitments were £399. After deducting the monthly repayment that would be due under the proposed credit agreement with them, Mitsubishi estimated that this left Mr A with disposable income of £2,132.30 for essential living costs and other expenditure.

I'm not convinced that it was reasonable for Mitsubishi to only use 50% of the monthly rental commitment in their assessment of Mr A's outgoings. CONC 5.2A.18G says that "Where there is a reasonable expectation that the customer will have responsibility to pay only a share or a part of a payment required pursuant to a contractual or statutory obligation then the firm may, in appropriate cases, take this into account." I haven't though seen anything to suggest this was a reasonable expectation on Mitsubishi's part. It seems this was merely an assumption they made, rather than finding out whether Mr A's partner did share that cost.

However, even if I considered that Mr A took on the full rental commitment, there was still sufficient available estimated disposable income based on the check Mitsubishi carried out to indicate the loan payments would be able to be met without a significant adverse impact on Mr A's financial situation over the term of the agreement.

I say this taking into account the credit check that Mitsubishi undertook of which I've seen a copy. The only potentially concerning entry on this was a default against Mr A. However, that default was recorded four years and eight months prior to Mr A's application. So, that was more likely representative of the situation Mr A was in at that particular time rather than from the time he applied for credit with Mitsubishi.

Mr A has said that he had an active County Court Judgement at the time. I've not seen that this was shown on Mitsubishi's credit check. So, I'm not satisfied that they would have known this, assuming that this was the case of course. And while Mr A has said he wasn't on the voters roll at the time, I don't think that had any bearing on Mitsubishi's affordability assessment. There's no suggestion for example that Mr A didn't apply for the credit.

So, I don't consider that Mitsubishi should have been concerned about the information they saw on the credit check they carried out, to the extent that they should have carried out further affordability checks.

Mr A has explained that he had a gambling addiction at the time. I am really sorry to hear this and how that impacted Mr A's health. I don't though consider that Mitsubishi should have been aware of this even though I appreciate the impact this had on Mr A. Realistically, they would only have seen this had they asked Mr A to provide bank statements. I don't though find that it would have been proportionate for them to have asked for this as I don't think there was a particular reason for them to have needed to verify Mr A's expenditure.

Overall, while I find there were some possible shortcomings in Mitsubishi's creditworthiness assessment, for the reasons I've set out I'm not persuaded that made the lending decision irresponsible.

### **My final decision**

For the reasons set out above, I do not uphold this complaint.

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

Daniel Picken  
**Ombudsman**