

The complaint

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

What happened

In October 2017, Mr C successfully applied for a loan of £20,000 with Mitsubishi HC Capital UK Plc ("Mitsubishi"). He was required to make 60 monthly payments of £414.47 and pay a total amount of £24,868.20.

Mr C complained to Mitsubishi in 2023 saying they lent to him irresponsibly as they didn't properly consider his credit history or his circumstances at that time and didn't check whether he could afford the loan.

Mitsubishi didn't agree. They said their affordability checks were reasonable and verified the details Mr C had put on his application, which included details of his income. Mitsubishi also said they carried out a credit check and, from that, were satisfied there were no signs of financial stress or any indicators that meant they should have carried out further checks.

Mr C then referred his complaint to us. Our investigator recommended it should be upheld. She thought Mitsubishi ought to have realised that it would have been irresponsible to give Mr C the loan. Our investigator said they should have verified Mr C's income and, had they done so, likely would have seen that giving him more credit would put him at risk of increased financial harm by funding his gambling behaviour.

Mitsubishi didn't agree and said they validated Mr C's income and that carrying out further checks wouldn't have been proportionate as there was no adverse information shown on the credit check. They also said they weren't made aware of any gambling problem and mentioned that Mr C was a high earner, had a good credit score and repaid the loan without any difficulty.

I issued my provisional decision on 9 October 2023, in which I said the following and which forms part of my final decision:

'I've considered – amongst other things – the rules and guidance for lenders set out in the Consumer Credit Sourcebook ("CONC") within the Financial Conduct Authority's handbook. These were the rules and guidelines set in place when Mitsubishi granted Mr C the loan.

Before granting credit, Mitsubishi were required to carry out a reasonable and proportionate assessment of Mr C's ability to sustainably repay the debt. This is often referred to as an 'affordability check'. This check had to be borrower-focussed. This means it needed to be concerned with whether Mr C could sustainably afford the borrowing (considering his specific circumstances), rather than how statistically likely he was to repay. The latter is the risk posed to Mitsubishi as the lender, or its 'credit or lending risk' but this is not necessarily the same as an assessment of affordability.

What's considered reasonable and proportionate will vary depending on a number of factors such as, but not limited to:

- The type and amount of credit;
- The total repayable and the size of the regular repayments;
- The duration of the agreement;
- The cost of the credit; and
- The consumer's individual circumstances.

What this means is that there isn't a one-size-fits-all approach to what is considered proportionate, as any of these factors (or others) might influence what a reasonable and proportionate check ought to be.

I've looked at the checks Mitsubishi carried out. They asked Mr C to provide his income on his application which he said was £100,000. From that, Mitsubishi estimated that Mr C had net monthly income of around £5,500.

Mitsubishi carried out a credit check which showed them that Mr C had existing total credit commitments of £48,500 and that he was paying around £1,900 to these each month. They also saw that Mr C had a mortgage with payments of £1,143 and attributed £571 of this to him directly. Mitsubishi estimated that Mr C had around £2,660 for other monthly costs once the above commitments and the proposed monthly payment for the loan had been factored in.

I think Mitsubishi gathered a reasonable amount of evidence and information from Mr C about his ability to repay the proposed loan, although I do have some slight concerns with how they interpreted some of this. However, I don't think this makes a difference to the outcome of the case.

The credit commitments I set out above were shown in the credit check Mitsubishi carried out. They also took account of the mortgage payments shown on the credit check, as well as considering typical figures for outgoings. These checks showed a figure for disposable income well in excess of the repayments on the loan they were considering. I don't consider there was anything therefore to suggest that Mr C was having difficulties with repaying his existing credit commitments or showing a potential difficulty in maintaining payments on the new loan.

I'm not convinced that Mitsubishi should have just attributed half of the monthly mortgage payment to Mr C, rather than the whole payment. That does seem a little assumptive in that it was possible that Mr C was responsible for the whole amount each month. However, even allowing for the full amount, this still left Mr C with a potentially significant amount of disposable income to cover other costs. I say this noting that two of the loans Mr C was paying at the time, which were for £761 and £256 each month, were settled in the following month. So, even if I felt that Mitsubishi should have asked Mr C for further details of his monthly expenditure, it's likely he would have disclosed he intended to settle these loans and so wouldn't have been included in his monthly expenditure from then on. Overall, I don't think Mitsubishi should have had concerns about the information they'd gathered, or even should have gathered, that would have warranted verification of Mr C's income and expenditure as our investigator suggested. As such, Mitsubishi wouldn't have seen the extent of Mr C's gambling as, realistically, the only way they would have done so was by asking for and scrutinising Mr C's bank account statements. I don't though think that would have been proportionate.

I note also that our investigator felt Mitsubishi should have verified Mr C's income using other means rather than just from a credit check. Even if I felt that they should have done this, it doesn't follow that Mr C would have provided his bank statements as proof of this. In

fact, it's entirely possible that he would have provided his P60 to them as proof as he has done to us, or from other means, bearing in mind he was self-employed and paying himself a salary from his business accounts. The bank statements Mr C has sent to us for the three months prior to the lending shows several thousand pounds going in and out of his primary bank account from other different accounts and that these weren't at similar, regular intervals. The total amount coming in for August 2017 was around £4,700 (if I disregard the payment of £20,000 also credited as a likely anomaly), whereas in September and October 2017 this was around £9,800 and £8,000 respectively.

Seeing as these amounts were fairly irregular, it's possible that upon further questioning about his income by Mitsubishi, Mr C would have been able to satisfy them that he was earning £100,000. I can't be certain that this wasn't a possibility anyway bearing in mind what I've noted about Mr C's income in the preceding paragraph.

For the reasons I've set out above, I currently find that Mitsubishi didn't act unfairly in approving this loan.

I asked Mr C and Mitsubishi to send me any further evidence or comments for me to consider. Mitsubishi replied saying they had nothing further to add. Mr C didn't reply.

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.

As neither party has given me anything further to consider, I see no reason to depart from my provisional decision. So, for the reasons I've given in my provisional decision which I have set out above, I won't be upholding this complaint.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 1 December 2023.

Daniel Picken
Ombudsman