

Complaint

Mr M has complained about a personal loan Plata Finance Limited ("Plata") provided to him. He says the loan was unaffordable and shouldn't have been provided to him as this ought to have been apparent from his credit history.

Background

Plata initially provided Mr M with a loan for £5,000.00 in March 2024. However, Mr M withdrew from this agreement and immediately returned the funds so he wasn't charged any interest. As this is the case, we've not looked at whether Plata acted fairly and reasonably in providing this loan and this decision is solely looking at the decision to provide a second loan in March 2024.

Plata provided Mr M with a loan for £3,000.00 in March 2024. This loan had an APR of 34.9% and the total amount to be repaid of £4,603.13, which included interest fees and charges of £1,603.13, was due to be repaid in 35 monthly instalments of £127.86 and a final instalment of £128.03.

One of our investigators reviewed what Mr M and Plata had told us. She thought that Plata hadn't treated Mr M unfairly and so didn't recommend that the complaint be upheld.

Mr M disagreed and asked for an ombudsman to review complaint.

My findings

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

Having carefully considered everything, I've decided not to uphold Mr M's complaint. I'll explain why in a little more detail.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr M's complaint.

Plata needed to make sure that it didn't lend irresponsibly. In practice, what this means is Plata needed to carry out proportionate checks to be able to understand whether Mr M could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Plata says it agreed to Mr M's application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked Mr M's declaration of income against information that it obtained from credit reference agencies on the funds going into main bank account each month.

Furthermore, while the credit checks showed Mr M had some existing debts these were maintained reasonably well. And Mr M didn't have any significant adverse information – such as defaulted accounts or county court judgments ("CCJ") recorded against him.

In Plata's view once reasonable repayments to Mr M's existing commitments were deducted from his monthly income, he had enough left over to make his payments to this loan and meet any reasonable living costs. So it considered that the information it gathered showed that Mr M could afford to make the repayments he was committing to.

On the other hand, Mr M has said he couldn't afford this loan.

I've carefully thought about what Mr M and Plata have said.

The first thing for me to say is that Plata has provided the details of its credit searches. Plata having carried out credit checks shows that it didn't simply rely on what Mr M said and that it took some steps to check at least some of the information he provided in his application.

Plata searches appear to show that Mr M's existing commitments were relatively well maintained. Crucially, according to the credit searches, Mr M's debt total at the time of the applications was also reasonable in comparison to what was declared as his income.

There isn't anything else obvious in the information gathered which leads me to think that further checks would have been reasonable and proportionate either. I realise that Plata may have approved a loan for Mr M earlier in March 2024. But as Mr M withdrew from that loan and this loan was for a lower amount, I wouldn't have expected Plata to be too concerned about this. And I'm afraid that I don't agree with Mr M when he says that this means that further checks were necessary – particularly as it's general practice to consider this loan as not having existed.

I accept that Mr M's actual circumstances may not have been fully reflected either in the information he provided, or the information Plata obtained. For example, I note that Mr M had taken out a number of other loans in the lead up to this application. But the vast majority of these and certainly the ones for the largest amounts were only taken days before. As this was the case, these loans did not show on the credit search Plata carried out.

I also acknowledge that if Plata had gone into the depth of checks Mr M appears to be saying it should have – such as obtaining bank statements – it's possible but by no means certain it may have seen Mr M's gambling (as well as the other loans he's referred to) and reached a different answer on lending. But the key here thing is that I don't think the circumstances of the lending here warranted obtaining bank statements.

Equally, it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the circumstances here, and the lack of obvious inconsistencies, I don't think that reasonable and proportionate checks would have extended into the level of checks Mr M is suggesting.

As this is the case, I don't think that Plata did anything wrong when deciding to lend to Mr M. I've simply not been provided with any persuasive evidence which clearly demonstrates

proportionate checks would have shown that the relatively low monthly repayments required for this loan were unaffordable.

In reaching this conclusion I've also considered whether the lending relationship between Plata and Mr M might have been unfair to Mr M under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Plata irresponsibly lent to Mr M or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

I appreciate this is likely to be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr M's complaint, I would remind Plata of its obligation to exercise forbearance and due consideration, given what Mr M has now said about his financial position, should he have difficulty making his payments going forward.

My final decision

For the reasons I've explained, I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 23 August 2024.

Jeshen Narayanan
Ombudsman