

The complaint

Mrs A complains that the loan she had from Link Financial Outsourcing Limited (trading as Asset Link Capital No. 9) was set up incorrectly resulting in higher repayments and adverse information on her credit file.

What happened

Mrs A had a £3,000 loan from Future Finance on 17 May 2019. She was to repay a nominal amount of £5 per month whilst still a student and begin full repayments of £181.07 from graduation date. Mrs A said these higher repayments had been scheduled from December 2022, but she wasn't due to graduate until June 2023.

Mrs A says she contacted Future Finance on three occasions to tell them that it had set her graduation date too early, but it refused to amend it and the loan was then sold to Asset Link Capital in November 2022. She said that, as a result, she has had to use her grace period and optional payment holidays to reach graduation date without needing to pay the full repayments. Mrs A adds that the credit files of both her and her guarantor have now been affected and the repayments have now been impacted by higher interest rates and an extended term.

Asset Link Capital says it was satisfied Future Finance acted reasonably when it offered the loan based on projected income and expenses and a review of Mrs A's credit file. It encouraged Mrs A to get in touch to try to establish an affordable repayment plan and offered to remove the adverse information from her credit file regarding the payment holidays.

Our investigator found Asset Link Capital's offer to amend Mrs A's credit file was fair. He was satisfied that Future Finance was given the incorrect graduation date during the application and that the loan could not be restructured once Mrs A notified it of the error in February 2020. However, he said Asset Link Capital should allow Mrs A three more payment holidays, May to July 2024, because of the later graduation date. Our investigator further assessed the circumstances of the initial loan application and found that Future Finance had carried out proportionate checks and made a fair lending decision.

Asset Link Capital responded to say that it had already agreed a payment holiday in May 2024, due to the ongoing complaint, so it could offer two further payment holidays – for June and July 2024 - in line with Mrs A's loan agreement. It confirmed that no negative information would be recorded on her credit file.

Mrs A responded to say, in summary, that she has proved she graduated in June 2023 and that there should be further redress for the business getting the date wrong initially. She said she'd also missed out on payment holidays as a result.

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 need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Mrs A's case, I have considered the following questions:

- Did Future Finance complete reasonable and proportionate checks when assessing Mrs A's loan application to satisfy itself that she would be able to repay the loan in a sustainable way?
 - If not, what would reasonable and proportionate checks have shown?
- Did Future Finance make a fair lending decision?
- Did Asset Link Capital or Future Finance act unfairly or unreasonably in some other way?

Irresponsible Lending

I have considered the information from the checks carried out by Future Finance and it shows:

- Future predicted income, based on her qualification, of £20,271 per year;
- Future debt repayments of £358 monthly;
- Mrs A's guarantor had an acceptable affordability assessment.

Based on the repayments of £181, I'm satisfied that Future Finance's checks went far enough in the circumstances of the lending, and I find it made a fair lending decision.

Incorrect graduation date

I have also considered all the available evidence with regard to the graduation date that was on the loan agreement and found:

- Future Finance sent Mrs A the repayment schedule in May 2019 which showed the first full repayment being due in December 2022;
- Mrs A first queried the graduation date being incorrect in January 2020;
- Although Asset Link Capital does not have a copy of the loan application, it has provided customer contact notes from Future Finance which say:
 - Mrs A first queried the graduation date on 22 January 2020;
 - The graduation date provided on the application form was July 2022;
 - The same date was confirmed by the university;
 - On 6 February 2020, Mrs A accepted that the university had provided the wrong graduation date;

- On 3 March 2020, Future Finance explained that it could not change the graduation date once a loan had been funded but said it would work with Mrs A should she struggle once full repayments were due.

Based on the above information, I cannot conclude that Future Finance made a mistake when it set up the loan and subsequently said it could not make amendments to its terms.

However, I note Future Finance said it would work with Mrs A once repayments were due, so I have also considered what would be fair and reasonable in that respect.

If the loan had been set up correctly with a graduation date of 30 June 2023, then Mrs A would have been entitled to a grace period of three months post-graduation before she needed to make full repayments. This means she could have had payment holidays in July, August and September 2023. Section 11.1 of the loan agreement also says, “*You may request up to two consecutive payment holidays...*” where a payment holiday is “*up to three consecutive calendar months*”. Potentially this would have meant Mrs A didn’t need to make her first repayment until April 2024.

As it is, Mrs A deferred her payments for the first nine months – from December 2022 until August 2023 – and then made full repayments for five months from September 2023 until January 2024. Due to a change in circumstances, Mrs A says she was unable to commit to a full time job following graduation so was struggling to continue to make the full repayments. Asset Link Capital agreed to a further payment holiday from February 2024 until April 2024, but initially said it could not agree any further payment holiday requests until Mrs A had made further contractual payments.

Mrs A argues that she has had to use her two consecutive payment holidays prior to graduation due to the error in setting up the loan. I consider it would be fair, therefore, to allow her further payment holidays in May, June and July 2024 and for full repayments to recommence in August 2024. Asset Link Capital has now agreed to this.

Asset Link Capital has also agreed to amend Mrs A’s credit file to remove any late payment markers that arose from the payment holidays. It also confirmed that her guarantor’s credit file was unaffected.

Finally, I’ve also considered whether Future Finance or Asset Link Capital acted unfairly or unreasonably in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. I’m satisfied that, based on what I’ve seen, no additional award would be appropriate in this case.

My final decision

My decision is that I uphold this complaint. Link Financial Outsourcing Limited (trading as Asset Link Capital No. 9) should do the following, to which it has already agreed:

- Allow Mrs A further payment holidays in May, June and July 2024;
- Remove any adverse information related to the payment holidays from Mrs A’s credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 2 September 2024.

Amanda Williams
Ombudsman