

The complaint

Mr S complains that Hastings Financial Services Limited trading as Hastings Direct ("Hastings Direct") lent to him irresponsibly.

What happened

In March 2024, Mr S applied for a loan with Hastings Direct. The loan was for £10,000 over 60 months, with a monthly repayment amount of £232.08. Shortly after receiving the funds in early April 2024, Mr S became unhappy.

Mr S complains he's very overindebted. In summary, he says he was surprised this loan was provided to him as the week before he was provided with a loan for £16,000 and he was heavily reliant on his overdraft. He said he also had a credit card with a high balance. He says he no longer sees any of his pay as he's using it all to repay debts. Overall, Mr S doesn't feel correct checks were carried out.

He's been honest in telling the service how matters have impacted his mental health, and he believes he's in a large hole he's unable to climb out of.

In May 2024, Hastings Direct responded to Mr S' complaint. It said it takes lending responsibly very seriously. It said the loan taken out the week prior wasn't on Mr S' credit report at the time, and there also wasn't information regarding his credit card or overdraft. Hastings Direct said it's confident it assessed things fairly at the time it decided to lend to Mr S.

Mr S was unhappy with Hastings Direct's response, so brought the complaint to our service. An Investigator here looked into things. They found Hastings Direct completed reasonable and proportionate checks, and a fair lending decision was made. They said, using the figures provided at the time of application, Mr S would've been left with enough disposable income each month and so the loan would've been affordable.

Hastings Direct didn't dispute our Investigator's opinion, but Mr S did. He said his annual salary was £26,000 at the time and he thinks Hastings Direct should've carried out more checks because he was struggling financially. He also provided further information about his circumstances at the time the loan was provided.

As an agreement couldn't be reached, the case 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.

I'd like to start by thanking Mr S for being so honest about the impact this has had on him, and about the struggles he's currently facing. I know it can't be easy, and I'm sorry to hear of the position he's in.

In reviewing this complaint, I need to consider whether Hastings Direct treated Mr S unfairly when deciding to lend. We've explained how we handle complaints about irresponsible and unaffordable lending on our website. And I've thought about this approach to help me decide Mr S' complaint.

Having thought about everything I've been provided with I've decided not to uphold Mr S' complaint. I'll explain why in more detail below.

The rules and regulations in place at the time Hastings Direct provided Mr S with the loan required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means Hastings Direct had to think about whether repaying the loan sustainably would cause difficulties or adverse consequences for Mr S. In other words, it wasn't enough for Hastings Direct to consider the likelihood of it getting the funds back or whether Mr S' circumstances met its lending criteria – it had to consider if Mr S could sustainably repay the lending it was providing to him.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Hastings Direct did what it needed to before lending to Mr S.

Hastings Direct told us it agreed to provide Mr S with the loan for £10,000 based on the data it got from Mr S at the point of application, as well as a credit check, credit bureau information following a verification of his income and ONS data to calculate estimated living expenses. It said having completed these checks, all the information showed Mr S could afford to make the repayments he was committing to.

At the point of application, Mr S was required to provide information about his personal circumstances. This included annual income, monthly mortgage/rental repayments, and number of dependents. Hastings Direct has told us it recorded Mr S as having an annual income of £47,000 per year, with no dependents and a monthly mortgage/rental payment of around £315. It said this was declared by Mr S at the point of application.

Hastings Direct estimated that after Mr S' monthly outgoings, he'd have close to £1,117 in disposable income. Having reviewed the information Hastings Direct obtained from the credit reference agencies and considering Mr S's regular monthly outgoings, I calculate it to be less than that – around £1,000 per month including the new loan repayment.

The checks also showed Mr S had no adverse information such as late payments or missed payment markers, no defaults and no CCJs. While Mr S had a credit card and an overdraft, he had very low or no balance on these.

I accept Mr S is suggesting his actual circumstances may not have been fully reflected either in the information he provided, or the information Hastings Direct obtained. But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong.

I've considered Mr S has said he was earning £26,000 per year at the time. But, Hastings Direct, using credit bureau agencies, said it verified his declared income at around £2,900 per month, which equates to around £45,000 per year. Although I don't have a copy of the actual application or form Mr S completed to know what was or wasn't declared, having looked at the statements Mr S has provided us, it looks as though Mr S was earning around £400 more than this each month, meaning the monthly income Hastings Direct relied upon when assessing affordability was less his actual monthly income.

I've considered that Mr S has said Hastings Direct should've been asking him for payslips to show his take home pay, but I don't think they would've shown anything different that would've led them to rejecting the loan application.

When reviewing what the credit checks showed at the time of application, they showed two mortgages, a credit card with a balance of £492 and an unsecured personal loan with a balance of £27,279. I understand Mr S has said he had many more loans than that, but these weren't present on his credit file at the time he applied for the loan with Hastings Direct. I'm not disputing Mr S had additional loans, but often it can take up to 30 days for credit to reflect on a credit file. And it wouldn't be fair for me to uphold this complaint based on information that Hastings Direct was unable to see at the time.

So all things considered, I think Hastings Direct did enough to check the loan was affordable and sustainable for Mr S.

As this is the case, I don't think that Hastings Direct did anything wrong when deciding to lend to Mr S - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. And, in any event, I've not been provided with anything that suggests Hastings Direct completing a more in-depth income and expenditure assessment with Mr S would have prevented it from lending either.

So overall I don't think that Hastings Direct treated Mr S unfairly or unreasonably when providing him with his loan. It follows that I'm not upholding Mr S' complaint. I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1975, however I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

Because at the time of the complaint, Mr S only had the complaint for two months, I can't see any evidence that Hastings Direct should've done more to intervene and offer financial support. But I encourage Mr S to talk to Hastings Direct regarding his financial difficulties and remind Hastings Direct to treat Mr S with forbearance.

I appreciate this will be very disappointing for Mr S and I don't wish for this decision to in any way downplay or undermine the difficult situation Mr S is going through. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons explained above, I'm not upholding Mr S' complaint against Hastings Financial Services Limited trading as Hastings Direct ("Hastings Direct").

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 December 2024.

Meg Raymond

Ombudsman