

The complaint

Mr H says Plata Finance Limited irresponsibly lent to him.

What happened

Mr H took out a £10,000 loan over 60 months from Plata on 25 March 2024. The monthly repayments were £232.53 and the total repayable was £13,951.62.

Mr H says he took out a loan from Plata when he had a huge gambling problem. They did not check any affordability with him, they didn't check bank statements or payslips. He thinks they based their lending decision just on him saying it was affordable. They had also declined an application for a loan only days before. He has had to enter a debt management plan to repay it and it has impacted his mental health.

Plata said it carried out appropriate checks before lending to Mr H and they showed the loan was affordable. It spoke to Mr H prior to making the decision and so had more information than at the time of the previous application through a broker.

Our investigator did not uphold Mr H's complaint. She said Plata's checks were not proportionate but as Mr H could not provide bank statements she could not say better checks ought to have led to a different lending decision.

Mr H disagreed with this assessment and asked for an ombudsman's review. He said, in summary, Plata didn't even ask to check his salary with bank statements or a payslip and used a monthly income figure that was £200 higher than his take home pay. They could've used open banking to check. He asked if we have found the checks were not proportionate how can we not say the lending was irresponsible. Regarding the declined application he cannot believe his credit report could have changed that significantly in a few days.

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.

Our approach to unaffordable/irresponsible lending - including all the relevant rules, guidance and good industry practice - is set out on our website and I have followed it here.

Plata is required to lend responsibly. It needed to conduct checks to make sure that the credit it offered to Mr H was affordable and sustainable. Such checks need to be proportionate to things like the loan value it offered Mr H, how much he had to repay (including interest and charges) each month, his borrowing history with it and what it knew about his circumstances. But there is no set list of checks it had to do.

This means to reach my decision I need to consider if Plata carried out proportionate checks at the time of Mr H's application; if so, did it make a fair lending decision based on the results of its checks; and if not, what better checks would most likely have shown.

I can see Plata asked for certain information from Mr H. It asked about his employment status, income, residential status and housing costs. It verified his declared income using an external tool. It completed a credit check to understand his credit history and existing commitments. It used national statistics to estimate Mr H's living costs based on his stated demographic. He had declared an annual income that equated to £2,885 net a month. Mr H says this was inflated but Plata did verify it externally. He told it his mortgage was £804 and it assumed his living costs were £742.50. The credit check showed he had no unsecured debt at that time he applied and there was no recent adverse data on his file. It asked about the purpose of the loan which was debt consolidation and home improvements. So from these checks combined Plata concluded Mr H could afford the loan.

I am not persuaded these checks were proportionate based on the loan value and term. I think in these circumstances Plata needed to carry out a fuller financial review checking Mr H's actual income and expenditure to ensure giving the loan to Mr H would not cause him financial harm.

In cases like this we look at bank statements for three months prior to application to see what better checks would most likely have shown the lender. However Mr H cannot provide his statements. So I cannot know what better checks would have shown. This means I can't fairly conclude that proportionate checks ought to have led to a different lending decision. I can see Mr H has asked why if we agree with him that the checks were not good enough doesn't that mean that the lending was irresponsible. But the approach we take on every case like this is to recreate what better checks would have shown the lender – and only if we then see the loan should not have been given would we conclude it was irresponsible lending. Without bank statements we cannot make this assessment – as the investigator explained.

Mr H has explained his gambling was problematic at the time but I can't see Plata knew this - he had declared spend of £0 on gambling when asked. And given the circumstances of this case I cannot know what his bank statements would have shown.

He also asked how this application could be accepted when one just days before was declined. Plata explained that this was because this application came through a different channel and on this occasion it spoke to Mr H allowing it to gather more information. I find this to be reasonable.

I am sorry Mr H has struggled with his finances and problematic gambling – I hope he now has the support he needs. If not, he could contact StepChange on 0800 138 1111 or National Debtline on 0808 808 4000 for advice about financial difficulties. And if gambling is still problematic for him he could contact GamCare on 0808 802 0133.

Finally, I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Plata lent irresponsibly to Mr H or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

I am not upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 9 December 2024.

Rebecca Connelley
Ombudsman