

Complaint

Mr O has complained about a personal loan which he says Plata Finance Limited ("Plata") unfairly brought about for him. He says the loan was unaffordable.

Background

While Mr O may consider that he took further loans with Plata, we've already explained why we'll be looking at those complaints separately. And this decision only covers the loan which Plata arranged for Mr O in May 2020.

Plata operated the electronic system in relation to lending which led to Mr O being provided with a loan for £7,000.00 in May 2020. This loan had an APR of 9.8% and the total amount to be repaid of £8,791.42, which included interest fees and charges of £1,291.42, was due to be repaid in 60 monthly instalments of £146.52.

One of our investigators reviewed what Mr O and Plata had told us. He didn't think that Plata had acted unfairly towards Mr O and so didn't recommend that the complaint be upheld. Mr O disagreed and asked for an ombudsman's review.

My findings

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

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 O's complaint.

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

Plata operated an electronic system in relation to lending which resulted in Mr O being provided with a loan. In these circumstances, Plata needed to take reasonable steps to ensure that this loan wasn't brought about irresponsibly. In practice, what this means is Plata needed to carry out proportionate checks to be able to understand whether Mr O could afford to make his repayments before arranging this loan.

Our website sets out what we typically think about when deciding whether a lender's (or P2P operator – such as Plata here) 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 P2P platform operator to be able to show that it didn't continue to arrange loans for a customer irresponsibly.

Plata says it approved Mr O's application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out which showed his existing debts were low and being relatively well maintained at the time of the application.

In Plata's view all of the information it gathered showed that Mr O could comfortably afford to make the repayments he was committing to. On the other hand, Mr O has said he was already in difficulty and couldn't afford this loan. I've carefully thought about what Mr O and Plata have said.

The first thing for me to say is that this was Mr O's first loan with Plata and the monthly repayments were relatively low. The information provided does suggest Mr O was asked to provide details of his income and expenditure and Plata didn't just rely on what it was told as it carried out credit searches too. The credit searches carried out showed that the debt Mr O had was low compared to his income. Crucially Mr O's existing debts, at the time, appeared to be reasonably managed too.

I accept that Mr O's actual circumstances may not have been fully reflected either in the information he provided, or the information Plata obtained. However, Plata could only make a reasonable decision based on the information it had available at the time. And the information Plata obtained suggested that the loan was affordable.

Given the circumstances here, and the lack of obvious inconsistencies, I think that Plata was entitled to rely on what it had been told. As this is the case, I don't think that Plata did anything wrong when arranging this loan for Mr O - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall and having considered everything, I don't think that Plata treated Mr O unfairly or unreasonably when arranging this loan for him. And I'm not upholding Mr O's complaint. I appreciate this is likely to be very disappointing for Mr O. 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 I've explained, I'm not upholding Mr O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 30 December 2024.

Jeshen Narayanan
Ombudsman