

## **Complaint**

Mr P has complained about a guarantor loan UK Credit Limited (“UK Credit”) provided to him.

He says that the loan was unaffordable, he struggled to pay it and it should never have been provided to him in the first place.

## **Background**

UK Credit provided Mr P with a guarantor loan for £8,800.00 in May 2019. This loan was due to be repaid in 54 monthly instalments of £304.40.

One of our investigators reviewed what Mr P and UK Credit had told us. And he thought that UK Credit hadn’t done anything wrong or treated Mr P unfairly. So he didn’t recommend that Mr P’s complaint be upheld.

Mr P disagreed and asked for an ombudsman to look at his 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.

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 P’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr P’s complaint. I’ll explain why this is the case in a little more detail.

UK Credit needed to make sure that it didn’t lend irresponsibly. In practice, what this means is UK Credit needed to carry out proportionate checks to be able to understand whether Mr P could afford to repay before providing him with this guarantor loan. The fact that UK Credit might have been able to call upon Mr P’s guarantor for the payments, should Mr P have not made them, did not lessen or dilute what it was required to do.

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.

In this case, UK Credit provided Mr P with a loan for £8,800.00 in May 2019. This loan was due to be repaid in 54 monthly instalments of £304.40. UK Credit says it agreed to Mr P’s

application after he provided details of his income, which he provided a copy of a payslip to support, and some information on his expenditure during a phone call.

It says it cross-checked this against information on a credit search it carried out as well as the information it asked Mr P to provide and all of this information showed Mr P could afford to make the repayments he was committing to.

On the other hand, Mr P has said he wasn't in a good financial position at the time had plenty of debts and shouldn't have been lent to.

I've carefully thought about what Mr P and UK Credit have said.

The first thing for me to say is that UK Credit has provided a record of the results of its credit searches. UK Credit searches appear to show that Mr P had a low amount of existing debt and no significant adverse information such as defaulted accounts or county court judgments recorded against him.

Furthermore, during the phone call he had with UK Credit Mr P confirmed the amount of his rent costs and other regular living commitments. So it's clear that UK Credit did obtain quite a bit of information from Mr P before lending to him. Equally, as this was a first loan UK Credit was providing to Mr P and the information obtained suggests that the loan payments were affordable, it seems to me that it was reasonable for UK Credit to lend.

I've seen that Mr P has said that he's had a complaint against another guarantor loan provider upheld. I've thought about what he's said but I think that I should explain that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong.

Given the circumstances in this particular case and the information provided, notwithstanding what might have happened in Mr P's other case, I think that it is difficult for me to conclude that UK Credit ought to have concluded that the monthly loan payments were unaffordable for Mr P, when the information provided doesn't show that this is the case, or that its actions here were not fair and reasonable.

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

However, for the reasons I've explained, I don't think UK Credit irresponsibly lent to Mr P or otherwise treated him unfairly in relation to this matter. 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

So overall I don't think that UK Credit treated Mr P unfairly or unreasonably when providing him with his guarantor loan and I'm not upholding Mr P's complaint. I appreciate this will be very disappointing for Mr P. 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 P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 16 December 2024.

Jeshen Narayanan  
**Ombudsman**