

Complaint

Miss W has complained about a loan JN Bank UK Ltd (“JN Bank”) provided to her.

She says that JN Bank provided her with an unaffordable loan at a time when she was already significantly indebted.

Background

JN Bank provided Miss W with a loan for £7,500.00 in July 2022.

The loan had an APR of 14.9% and a 60-month term. This meant that the total amount to be repaid of £10,423.20, which included interest, fees and other charges of £2,923.20 was due to be repaid in 60 monthly instalments of £173.72.

One of our investigators reviewed what Miss W and JN Bank had told us. And she thought that JN Bank hadn’t acted unfairly when providing Miss W with her loan. So she didn’t uphold Miss W’s complaint.

Miss W disagreed and asked for an ombudsman to look at her 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 Miss W’s complaint.

Having carefully considered everything, I’ve decided not to uphold Miss W’s complaint. I’ll explain why in a little more detail.

JN Bank needed to make sure it didn’t lend irresponsibly. In practice, what this means is JN Bank needed to carry out proportionate checks to be able to understand whether Miss W could afford to repay before providing this loan.

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.

JN Bank says it agreed to Miss W’s application after she provided details of her monthly income and expenditure. It says it cross-checked this against information it obtained on the

amount of funds Miss W received into her bank account each month and a credit search which it carried out.

In its view, the information it gathered about Miss W's income and expenditure showed that Miss W would be able to make the repayments she was committing to. JN Bank says, in these circumstances it was reasonable to lend.

On the other hand, Miss W has said the loan was unaffordable because of her credit history and the amount of loans she already had. So she shouldn't have been lent to.

I've carefully thought about what Miss W and JN Bank have said.

The first thing for me to say is that this was Miss W's first loan with JN Bank. The information provided does suggest Miss W was asked to provide details of her income and expenditure and JN Bank didn't just rely on what it was told. It cross-checked Miss W's declaration of income against information that it obtained from credit reference agencies and this suggested that it could be confident that Miss W broadly received what she said she did each month.

Furthermore, the credit search carried out showed that Miss W unsecured debt wasn't excessive and Miss W didn't have any recent significant adverse information – such as defaulted accounts or county court judgements ("CCJ") recorded against her.

At the absolute most it could be argued that JN Bank needed to ask Miss W a bit more detail about her living costs. However, having looked at the information Miss W has provided. I don't think that there is anything in it that should have led to JN Bank declining Miss W's application. Indeed, on the face of things, what has been provided appears to show that the loan was affordable and there's nothing in it which calls the living expenses information JN Bank did rely upon into question.

Bearing this in mind and what the rest of the information shows, I can't reasonably say that further scrutiny of the information gathered would have prevented JN Bank from providing this loan. I'd also add that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong.

And, in this case, I don't think that JN Bank did anything wrong in deciding to lend to Miss W – especially given this was a first loan and its lack of previous history with Miss W. So overall I don't think it was unreasonable for JN Bank to provide this loan to Miss W.

In reaching my conclusions, I've also considered whether the lending relationship between JN Bank and Miss W might have been unfair to Miss W under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think JN Bank irresponsibly lent to Miss W or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that s140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here. So I'm not upholding this complaint.

As this is the case, I'm not upholding Miss W's complaint. I appreciate this will be very disappointing for Miss W. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Miss W's complaint, I would remind JN Bank of its obligation to exercise forbearance and due consideration should Miss W be experiencing difficulty making her remaining payments.

My final decision

My final decision is that I'm not upholding Miss W's complaint.

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

Jeshen Narayanan
Ombudsman