

The complaint

Mr M says Bank of Ireland (UK) Plc (BOI) irresponsibly lent to him.

What happened

BOI agreed a loan for Mr M on 14 May 2023. The loan was for £20,000 to be repaid in monthly instalments of £648.22 over 42 months, and the total amount owed was £27,252.24.

Mr M says BOI failed to do crucial checks. He asks for evidence that full and adequate affordability checks were carried out and that the loan was affordable on his stated income; and evidence that full, adequate, clear and transparent paperwork was provided.

BOI says Mr M's application passed its credit, fraud and affordability checks and met its lending criteria.

Our investigator did not uphold Mr M's complaint. He said BOI did not complete proportionate checks but had it done so it could fairly have made the same lending decision.

Mr M disagreed and asked for an ombudsman's review. He said some key aspects of his financial situation may not have been fully considered in our assessment. Specifically, the months of bank statements that the investigator reviewed were irregular due to the movement of money on behalf of his father. This significantly impacted the apparent disposable income and may not accurately have represented his usual financial circumstances or his ability to manage a loan of this size sustainably.

He agreed that the figures the BOI used are somewhat correct, but said it should have done more to understand his financial situation. Additionally, he is still to receive any paperwork for the loan and has no online login to manage his loan appropriately, which causes further mental distress and anxiety.

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 complaints about unaffordable/irresponsible lending is set out on our website. I have followed it here.

BOI will be familiar with the regulations in place at the time so I won't set them out in detail but will summarise them here. BOI needed to check that Mr M could afford to meet his repayments without difficulty before agreeing the loan. In other words, it needed to check that he could meet his repayments out of his usual means without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks needed to take into account both the nature of the credit (the amount offered or the loan term, for example) and Mr M's particular circumstances. The overarching requirement was that BOI needed to pay due regard to Mr M's interests and treat him fairly.

With this in mind, my main considerations are did BOI complete reasonable and proportionate checks when assessing Mr M's application to satisfy itself that he would be able to make his repayments without experiencing adverse consequences? If not, what would reasonable and proportionate checks have shown and, ultimately, did BOI make a fair lending decision? And finally, did it treat Mr M unfairly in some other way?

Having considered everything carefully, I am not upholding Mr M's complaint. I'll explain why.

BOI has told us it carried out an income and expenditure assessment when Mr M applied for his loan. It asked Mr M for his net monthly income (£3,335) and adjusted it slightly once verified externally (£3,238). It asked for his housing costs (£379). It modelled his likely outgoings based on national statistics (£681). It completed a credit check to understand his monthly credit commitments (£450) and his repayment history. It asked about the purpose of the loan which was home improvements. BOI concluded the results of these checks combined showed Mr M was managing his active credit well and would have sufficient disposable income each month after taking on this loan.

I am not persuaded that BOI's checks were proportionate given the value and term of the loan. In this context I think BOI needed to be more certain that it had an accurate overview of Mr M's financial position.

I have looked at Mr M's bank statements for the three months prior to his application. I am not saying BOI had to do exactly this, just that it is a reliable way for me to understand what better checks would most likely have shown. And like the investigator I think BOI could have fairly made the same lending decision had it reviewed Mr M's actual income and essential expenditure. Mr M's average monthly income (not including transfers in from his father or one-offs) seems to have been higher than the figure BOI relied on.

As I said, I have not included the credits from his father that Mr M flagged – but that said I note that these are largely offset by debits of the same, or similar value each month, and so do not impact the net position. The exception was a £750 credit in April, but then Mr M was able to save £1,000 that month so there was an 'equivalent' debit of a higher amount.

And Mr M's living costs were broadly in line with the bank's estimate. Mr M's statements do not show signs of financial strain such as the use of payday loans or the persistent reliance on an overdraft. They also show he was affording to repay significantly more than the contractual minimum on his credit cards.

BOI cannot provide the detail of the credit check as it does not store this, but it has been able to confirm the searches did not reveal any red flags or concerns - there were no missed payments, no CCJs, no defaults and no bankruptcy recorded. So it does not seem there were any indications BOI missed that Mr M might not be able to sustainably repay this loan.

In the round, I find BOI could reasonably have made the same lending decision had it completed proportionate checks and reviewed Mr M's actual income and expenditure.

It follows I do not think BOI was wrong to lend to Mr M.

I understand Mr M is now struggling to make his repayments. I am sorry to hear this has caused stress and anxiety. I hope he has the support he needs. StepChange (tel: 0330 055 2198) and MIND (tel: 0300 123 3393) are organisations that can provide free assistance, with debt management and mental health respectively, if not.

He should contact BOI to discuss an affordable repayment plan – it will need an updated

view of his income and expenditure. I would remind BOI of its obligation to treat Mr M fairly and with forbearance as appropriate.

Mr M has said he still has no paperwork relating to his loan, but I can see BOI included a copy of his credit agreement with its final response letter. He signed this electronically on 14 May 2024. This clearly set out the cost of the loan and how his repayments would work, as well as a contact number for BOI. If there is other specific paperwork Mr M requires he should contact BOI. BOI will also need to support Mr M with his request for the online login that he referenced in his response to the investigator's assessment.

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 BOI lent irresponsibly to Mr M 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 M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 2 January 2025.

Rebecca Connelley
Ombudsman