

The complaint

Mr J says Plata Finance Limited ('Plata') irresponsibly lent to him.

What happened

Mr J took out a £10,000 loan repayable over 24 months from Plata in July 2024. The stated purpose of the loan was for home improvements. The monthly repayments were £520.17 and the total repayable was £12,483.97.

Mr J says Plata ought not to have lent to him and ought to have realised that he was already being pushed into a difficult financial position by taking out other loans.

Shortly after taking out the loan Mr J told Plata he'd been the victim of a scam. As a result, Plata agreed a 60-day breathing space.

Plata said it carried out appropriate checks before lending to Mr J and they showed the loan was affordable and that Plata had made a fair lending decision.

Unhappy with this response, Mr J brought his complaint to this service.

Our investigator didn't uphold Mr J's complaint. He said Plata's checks were proportionate and didn't show anything that ought to have concerned it prior to lending.

Mr J disagreed with this assessment and asked for an ombudsman's review. He said, in summary, that Plata should have noticed that the figures Mr J provided about his financial circumstances were unrealistic. He says that he was told what to say in order that the loan be agreed.

The complaint has therefore been passed to me for an ombudsman's decision.

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 J was affordable and sustainable. Such checks needed to be proportionate to things like the loan value it offered Mr J, 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 J'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 J. 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. The credit check didn't show any recent defaults or other adverse markings on his credit file and showed that Mr J had a manageable level of debt at around £290 in repayments each month.

Plata also carried out an affordability assessment. This assessment included using bank account data to check that Mr J would be able to afford the loan repayments.

Based on these checks, Plata concluded that the loan was likely to be affordable and could be repaid sustainably.

I've reviewed the information and evidence Plata gathered. I've also listened to Mr J's call to Plata's representative when he confirmed, amongst other things, the purpose of the loan and that he couldn't see any reason why he wouldn't be able to meet the monthly payments going forwards and was able to do so sustainably.

I'm satisfied that the checks that were completed showed that the agreement was likely to be affordable to Mr J. I say this because they showed that, after meeting each monthly instalment, Mr J would be left with disposable income of around £2,200. This was after meeting his existing credit outgoings and accommodation costs and the new loan repayment. So, further income would be available to cover other household costs and expenses. Given what the checks had shown and the relatively high level of disposable income that was available, I wouldn't have expected Plata to ask Mr J for more information. I therefore think the checks were proportionate based on what Mr J had told Plata and the information it had obtained about his financial circumstances.

Having seen that Mr J commented that Plata's checks were inadequate and that the figures he'd provided to them ought to have brought up red flags, I asked our investigator to request further details and evidence, such as bank statements, about Mr J's financial circumstances at the relevant time. This would have given an indication of what Plata might have found out had it decided to carry out further checks at the time. Mr J has declined to provide his bank statements and has explained his reasons for not doing so.

It follows that, as I'm not persuaded that Plata acted unfairly, I agree with our investigator that it doesn't need to do anything to put things right.

I realise Mr J will be disappointed with this outcome, especially given the circumstances he has told us about relating to his decision to apply for the loan – which was for other than the use he stated at the time. I've seen that Mr J has already separately reported to the police and other organisations what happened to him. I've also seen that the business in question doesn't appear to be regulated by the Financial Conduct Authority so unfortunately this service can't help any further in that respect.

Finally, given that Mr J's financial difficulties are likely to be continuing, I would ask that Plata uses all reasonable forbearance in order to ensure he has the opportunity to reduce what he still owes and, if practical, agree an affordable repayment plan.

I've considered whether the relationship between Mr J and Plata 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 J or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I've given above, I am not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 7 February 2025.

Michael Goldberg

Ombudsman