

The complaint

Miss C complains that Omni Capital Retail Finance Limited (“Omni”) gave her a loan she couldn’t afford to repay due to being a student and having outstanding debts.

What happened

In March 2022, Miss C took out an interest free personal loan from Omni for £5,097.50 in order to pay for a procedure. The full price of the procedure was £6,097.50 but Miss C paid a £1,000 deposit. The loan was to be repaid with one payment of £141.85 followed by 35 payments of £141.59. This loan was settled early in September 2023.

Following Miss C’s complaint Omni explained in its final response letter the checks it had carried out and why it didn’t consider it had made an error by approving Miss C for the loan. Unhappy with this response, Miss C referred the complaint to the Financial Ombudsman where it was reviewed by an investigator. The investigator concluded Omni had conducted proportionate checks which showed Miss C would likely be able to afford the repayments.

Miss C disagreed with the investigator’s assessment, and I’ve summarised her responses below.

- The income figure used included Miss C’s student loan when in reality her income was £790 per month plus any commission she earned.
- Omni ought to have realised her student loan would stop and this would reduce her income.
- Had the correct income figure been used Miss C’s disposable income wasn’t enough to afford the repayment.
- Miss C provided details as to how this loan impacted her mental health.
- The financial stress caused by this loan ought to warrant some compensation.

These comments didn’t change the investigator’s mind about the outcome they had reached and so the case has been passed to me to resolve.

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.

We’ve set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. And I’ve used this approach to help me decide Miss C’s complaint.

Omni needed to make sure it didn’t lend irresponsibly. In practice, what this means it needed to carry out proportionate checks to be able to understand whether Miss C could afford to repay any credit it provided.

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 checks to be less thorough – in terms of how much information is gathered and what is done to verify it – in the

early stages of a lending relationship.

But we might think more needed to be done 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 firm to be able to show that it didn't continue to facilitate a customer's loans irresponsibly.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss C's complaint. Having looked at everything I have decided to not uphold Miss C's complaint and I've explained why below.

Omni carried out an affordability assessment and creditworthiness check when Miss C applied for his loan, and I've reviewed the information it relied on when making its lending decision.

I'm sorry to hear that repaying this loan was difficult and this has led to some mental health difficulties. But I'm glad to hear that Miss C has received help and support in relation to this.

Miss C gave details of her employer and declared she earned £20,420 per year. However, Omni didn't just accept what Miss C was telling it about her income. It used a well-known income verification tool provided by a credit reference agency – which is one way Omni could've gone about checking her income. Omni concluded that Miss C's net monthly income was at a minimum £1,093.59.

Miss C said the income figure wasn't accurate because she had included her student loan payments and these would've stopped, reducing her income. However, that information wasn't reflected in what she told Omni nor in the results of its check. Given this was an interest free loan and it was at the start of the lending relationship, I think it was more than fair and reasonable for Omni to have relied on the combination of declaration and the results of its income check without having to verify her income further or explore how her annual income was constructed.

Omni also carried out a credit search and it's provided a copy of the results that it received. I'd just like to add that there wasn't a requirement for Omni to carry out a credit search let alone one to a specific standard. But what it couldn't do is carry out a credit search and ignore or not react to any results it received.

Omni was told that Miss C had three active accounts, a current account, one for a communication device and a loan account. The existing loan account was costing Miss C £186 per month. The information Omni was provided with showed that all the accounts had been well maintained with no missed payments or any other adverse payment markers.

There would've been no reason from the credit search result for Omni to have thought that Miss C was overindebted or was currently having problems managing her finances. The credit check wouldn't have prompted further checks into her circumstances.

Miss C also told Omni she lived at home with parents and didn't have any rent or housing costs. Nonetheless taking information from the credit file Omni calculated total existing monthly living costs of £616. Overall, this left a sufficient amount of disposable income to afford the repayments. I'm satisfied, when thinking about the loan value, term and what it knew about Miss C that the checks were proportionate and demonstrated the payments would likely be affordable. This also means I don't think Omni didn't need to do any more before it lent to her.

It therefore follows that I don't think Omni needed to obtain copy bank statements or any other form of verification before it lent to her. It was entitled to rely on the information given to it by Miss C as well as the results of its checks. I do not uphold the complaint and I make no award against Omni.

As I've concluded it was reasonable for Omni to grant the loan and it doesn't appear to have been aware of any repayment problems Miss C may have experienced while repaying the balance. So while I acknowledge the impact Miss C has described that this loan had on her. Taking account of what Omni did before lending and what it knew during the course of Miss C making her repayments means I'm not persuaded Omni should be directed to make a payment of compensation. I am therefore making no award against Omni.

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 Omni lent irresponsibly to Miss C or otherwise treated her 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

For the reasons I've outlined above, I am not upholding Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 19 March 2025.

Robert Walker
Ombudsman