

The complaint

Mr W complains that Omni Capital Retail Finance Limited declined his application for a loan and hasn't provided him with the reason why. He believes he may have been declined due to his age.

What happened

Mr W applied for a loan to cover the cost of his hospital treatment. His application was referred to Omni Capital on 10 July 2024 and he said it was rejected within five minutes. He said the decline notice referred him to the credit reference agencies and when he checked these, he had the highest possible credit score. Mr W contacted Omni Capital to ask why his application had been declined but said he hasn't been given a clear reason. He asked whether his age was the reason and was told that age was part of the criteria for applicants. Mr W believes he may have been discriminated against due to his age.

Omni Capital issued a final response letter to Mr W dated 25 July 2024. It said that Mr W's application was declined as he didn't meet its lending criteria. It said it was unable to disclose its lending criteria but set out the factors that were included such as Mr W's credit score, credit history, application details, income and ability to meet the repayments.

Mr W said that Omni Capital's response hadn't provided him with a clear reason as to why his application was declined and he referred his complaint to this service. He continued to think he may have been discriminated against due to his age.

Our investigator didn't uphold this complaint. He reviewed Mr W's application and was satisfied that this was assessed fairly in line with Omni Capital's lending criteria. He noted Mr W's concern about age discrimination and said that there are instances where a business can take age into consideration when assessing credit or risk. He couldn't confirm that this was the reason for the decline but said that he didn't find that Mr W had been treated unfairly.

Mr W didn't agree with our investigator's view and asked for his case to be considered by an ombudsman.

My provisional conclusions

I issued a provisional decision on this complaint the details of which are set out below.

I can understand why Mr W is upset that his loan application was declined, and I appreciate that he feels he hasn't been provided enough detail as to the reason for this. But for me to uphold this complaint I would need to be satisfied that Omni Capital had done something wrong or treated Mr W unfairly or differently to other customers with the same circumstances.

I have first considered Mr W's complaint that his loan application was declined. Mr W's loan application was declined in July 2024, and he feels he has been discriminated against due to his age. When assessing a case, we take relevant law and regulation into account to decide

what's fair and reasonable in the circumstances of a complaint. Therefore, I have considered Mr W's comment about how he has been treated against the background of the Equality Act 2010.

Section 29 of the Equality Act 2010 says a service provider must not discriminate against someone based on a protected characteristic – age is one of nine protected characteristics given – such discrimination is unlawful. There are, however, exceptions applicable to this particular case, and they are contained in schedule 3 – part 5 – paragraph 20A. Paragraph 20A says:

- 1) A person (A) does not contravene section 29, so far as relating to age discrimination, by doing anything in connection with the provision of a financial service.*
- 2) Where A conducts an assessment of risk for the purposes of providing the financial service to another person (B), A may rely on sub-paragraph (1) only if the assessment of risk, so far as it involves a consideration of B's age, is carried out by reference to information which is relevant to the assessment of risk and from a source on which it is reasonable to rely.*
- 3) In this paragraph, "financial service" includes a service of a banking, credit, insurance, personal pension, investment or payment nature.*

Omni Capital has shared certain details with us (on a confidential basis) about the risk assessment it carries out, the sources of data underpinning this and how this affects its lending decisions. Having considered this, I think Omni Capital has provided reasonable evidence from reliable sources to support its lending criteria. As Mr W didn't meet these criteria, I do not find that I can say Omni Capital has treated him unfairly (that is, treated him differently to another customer with the same or similar circumstances) by declining his application. Therefore, I do not uphold this part of Mr W's complaint.

The second part of Mr W's complaint is that he wasn't provided with the reason for his application being declined. I have looked at the information provided to Mr W. In the communication about his application being declined, Omni Capital said Mr W didn't meet its lending criteria and went on to say that it had an obligation to ensure credit was provided based on the level of risk and the ability of the applicant to meet the repayments. It explained its decision was based on information from Mr W's application and the credit reference agencies. It then provided details of the credit reference agencies. Given this communication, I can understand why Mr W checked his credit score, and when this was confirmed to be excellent, he was unsure as to the reason for his application being declined.

Mr W made further contact with Omni Capital and said he still wasn't given clear information about why his application was refused. He has said he was told that age was part of Omni Capital's criteria. Mr W raised a complaint and the response to this provided a wide range of reasons why his application might have been declined. This again included his credit score.

When a lending application is declined, the firm should provide the customer with the main reason for the decline if the customer requests this. Mr W requested this information. While Omni Capital told Mr W that he didn't meet its lending criteria and provided possible reasons why this happened, as many of the reasons weren't relevant to Mr W's case, I do not find that it provided him with a reasonable level of information to enable him to understand why his application was declined.

Under the Consumer Duty, consumers are expected to take responsibility for the decisions they make about products and services. To do this, businesses must give them the information they need, at the right time, and presented in a way they can understand. That

way they can make informed decisions. In this case, when Mr W's loan application was declined, I think that Omni Capital should have provided him with clearer information about the reason for this. This could have assisted in his understanding and supported him in making an informed decision about whether he wished to try to source finance from elsewhere and which firms he might approach for this. By not providing clear information, and providing suggestions that the issue might be to do with Mr W's credit score, Omni Capital caused Mr W unnecessary inconvenience and distress. It also likely delayed Mr W in making any further attempts to source finance as he was unaware of the reason for his application rejection. Because of this I am upholding this part of Mr W's complaint.

Taking into consideration the upset and inconvenience Mr W was caused by unnecessarily contacting the credit reference agencies, and making calls to Omni Capital to try to get further details, I think it fair that Omni Capital pays Mr W £200 compensation.

In conclusion, I can understand why Mr W was upset by the experience he had with Omni Capital, and while I do not find that I can say Omni Capital did anything wrong by declining his loan application, I do not find it provided Mr W with the service it should have when he asked for the reason why his application was declined.

Mr W accepted my provisional decision.

Omni Capital noted my comment in the provisional decision that *"When a lending application is declined, the firm should provide the customer with the main reason for the decline if the customer requests this."* It said it wasn't aware of any rule requiring it to do this and while it was aware that the Lending Standards Board has a code of practice which includes this, it isn't a signatory to this and said there can be good reasons for withholding such information (principally related to fraud prevention and commercial sensitivities).

It further noted the reference made to the Consumer Duty but didn't agree with how this had been presented. It said that its obligation to provide customers with information about its products and services to enable them to take responsibility for the decisions they make shouldn't be extrapolated to require effective disclosure of its internal credit policies. It also challenged the extent to which such information would have been advantageous to Mr W. It said that the legislation provides that it informs the customer of the credit reference agency used so that they can confirm whether there is anything incorrect / obviously untoward on their credit file which may have caused the rejection. With individual lenders able to provide a range of criteria on which they approve loans it does not follow that knowing the reason why one lender rejected an application would necessarily help with the decision on where or whether to re-apply.

Omni Capital didn't believe that it had broken any rule and also said that even if it was at fault, the award of £200 was unnecessarily high.

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.

As I set out in my provisional decision there are two parts to this complaint. The first part is about Mr W's loan application being declined. I didn't uphold this part of the complaint and no concerns have been raised about that. The second part of the complaint is about the information provided to Mr W when he asked why his application had been declined. I upheld this part of the complaint and recommended that Mr W be paid £200 for the distress and inconvenience he was caused. Omni Capital doesn't agree with this part of my decision.

I've considered Omni Capital's response, and have thought again about whether it acted fairly and reasonably in the individual circumstances of this case - taking into account applicable laws, relevant rules, regulations and codes, and what good industry practice looks like.

Omni Capital has made the point that it is not a signatory to the Lending Standards Board's Code of Practice. Nevertheless, it is a full member of the Finance & Leasing Association ("FLA"). The FLA's Lending Code (which I consider indicative of good industry practice as well as a relevant code by which Omni Capital has agreed to be bound) includes, at 1D.1 that whenever a customer applies to a member for a loan *"if we refuse your application, we will tell you the main reason why, if you ask us."* So, I find it reasonable that Omni Capital is aware of this requirement.

As I've previously observed, other relevant rules include the Consumer Duty. It's been in force in relation to firms' regulated activities since 31 July 2023, so it's applicable in this case. The Consumer Duty was introduced by the Financial Conduct Authority ("FCA") as a means of setting clearer standards of consumer protection across financial services requiring firms to put their customers' needs first. One of the things it makes clear is that firms should support customers in pursuing their financial objectives. The FCA's Consumer Duty guidance (FG22/5) includes the following as an example under the consumer support outcome:

"A firm declines a customer for credit as a result of its affordability assessment. This creates a risk of financial exclusion and harm, particularly if the customer is unaware of alternative options or where to get advice.

However, the firm considers the financial objectives of the customer and signposts them to appropriate information from an independent and reliable source – in this case, they could refer to the MoneyHelper guide."

That suggests to me that the expectation of a lender under the Consumer Duty isn't necessarily full disclosure of its lending criteria (which I can clarify was not suggested in my provisional decision), but that it goes further than simply saying the customer doesn't meet those criteria.

In this case, Mr W's objective was to obtain credit, but Omni Capital declined his application. He wanted to understand why and didn't think the information from Omni Capital achieved this. When Mr W queried the decline, Omni Capital told him he didn't meet its internal lending criteria. I accept that neither the Consumer Duty nor the FLA's Lending Code require Omni Capital to provide detailed reasons for declining the credit application. There are sometimes sensible reasons why a lender might not go into such details; as Omni Capital has said there can be commercial sensitivities at play, as well as other security aspects.

The FCA guidance indicates firms have discretion to use their judgement when deciding what to share. Exercising such discretion should take into account the consumer's interests as well as any business sensitivities and so I've thought about whether the rather general reasoning Omni Capital shared with Mr W was a fair exercise of its discretion. If Omni Capital was looking to show it had the Consumer Duty outcomes of consumer understanding and consumer support in mind when responding to Mr W's request, or the 'main reason' required under the FLA's Lending Code, its reply really ought to have done more to support him in pursuing his financial objective by telling him the application was declined because of his age. It doesn't strike me that there was any apparent security risk or obvious commercial sensitivity in doing so. With this in mind, I don't think Omni Capital has done enough to demonstrate it exercised its discretion fairly and with due regard for Mr W's needs.

Mr W was applying for the loan to cover his medical treatment and so I can understand that he would want to be clear about why he was declined so that he could then make an informed decision about any other finance applications. Had the reasons been provided, Mr W could have focused his search on lenders for which the decline reason wasn't an issue. I agree that this wouldn't have necessarily resulted in a successful application due to the other criteria the lenders may have had but I still think it would have been fair to Mr W to have received clearer information in response to his declined application.

Omni Capital has said that it doesn't agree with the £200 compensation I recommended. I note the comment but, in this case, I accept the lack of clarity provided to Mr W resulted in him being caused unnecessary distress and inconvenience at a time when he was seeking finance for medical treatment. This would have been particularly upsetting, and I think £200 is a fair recognition of this.

So, for the reasons I set out in my provisional decision and those explained above in response to Omni Capital's comments, I am upholding this complaint.

Putting things right

Omni Capital should pay Mr W £200 compensation for not providing him with the service it should have done when he asked for details of why his application had been declined.

My final decision

My final decision is that Omni Capital Retail Finance Limited should take the action set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 4 April 2025.

Jane Archer
Ombudsman