

## **The complaint**

Mr N complains that UK Credit Limited (UK Credit) shouldn't have agreed to provide him with a guarantor loan as he was struggling financially and couldn't sustain the repayments.

In bringing his complaint Mr N is represented by a third party. For ease of reading I will only refer to Mr N in my decision.

## **What happened**

In December 2019 UK Credit provided Mr N with a guarantor loan for £3,000. This was repayable over 48 months at £151.43 a month. Mr N said UK Credit hadn't checked sufficiently as he'd already defaulted on several accounts and had a large amount of debt. He also said he was having to use payday loans to help him manage financially. Mr N complained to UK Credit.

UK Credit said they'd verified Mr N's income, carried out a credit search to identify Mr N credit commitments. And discussed his living costs in a call with him. They said their credit search showed Mr N had some defaults but these were historic and he'd a low level of borrowing. Based on their findings they said the lending was affordable for Mr N as he'd sufficient disposable income to be able to sustain the repayments.

Mr N wasn't happy with UK Credit's response and referred his complaint to us.

Our investigator said UK Credit's checks had been proportionate and reasonable. And based on these they'd made a fair lending decision.

Mr N didn't agree and asked for an ombudsman to decide.

## **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.

I appreciate my decision will come as a disappointment to Mr N but having done so I'm not upholding his complaint. I'll explain why.

We've set out our approach to complaints about high cost credit on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.

UK Credit needed to carry out reasonable and proportionate checks to ensure they didn't lend to Mr N irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did UK Credit carry out reasonable and proportionate checks to satisfy themselves that Mr N was in a position to sustainably repay the loan?
- Did UK Credit make a fair lending decision?

- Did UK Credit act unfairly or unreasonably towards Mr N in some other way?

Any lending should be borrower focussed this means its not enough for UK Credit to assess the likelihood of the loan being repaid, they also need to consider the impact of the loan repayments on Mr N. The fact that the loan was guaranteed by a third party and the potential for UK Credit to pursue the guarantor instead of Mr N in ensuring the loan is repaid doesn't alter or lessen this obligation.

There is no set list of checks that UK Credit had to do, but they could consider several different things such as the amount and length of the loan, the amount of the monthly repayments and the overall circumstances of the borrower. So I've considered the checks UK Credit did.

UK Credit said they checked Mr N's credit file, spoke to him about his income and expenditure and verified Mr N's income by obtaining a payslip.

Mr N's credit file showed he'd previously struggled financially as he'd four defaults showing on his credit file. But these were historic being over two years prior to Mr N's lending application with UK Credit. Mr N had two bank accounts, a credit card with a balance of £497 and a loan with a balance of £666. Mr N's active accounts were all up to date. His file does show he'd been in arrears with a public utility account, but he'd caught up with his repayments being one month in arrears for a month in the preceding six months. Given that UK Credit specialise in lending to people with an impaired credit rating, I don't think this would have caused any great concerns as Mr N was up to date with his other commitments

UK Credit asked Mr N to provide a payslip to support the level of income he'd declared on his application. UK Credit has shown they verified Mr N's income as a payslip was provided. This showed Mr N's monthly income to be around £2,220 a month.

I can also see UK Credit took reasonable steps to determine Mr N's other outgoings for rent, other housing costs, insurance and transport costs. UK Credit calculated that after all his declared expenditure and based on his verified income Mr N had around £380 per month disposable income after factoring in the cost of the new loan.

Mr N said UK Credit's checks should have seen he was fully utilising his credit card which he said was evidence of his financial struggles. I've listened to a call Mr N had with UK Credit and he said the purpose of the loan was for debt consolidation and stated that this was an account he was going to settle with the loan. Mr N's disposable income would have increased should he have settled his active credit commitments. And his financial position could have worsened if the loan hadn't been agreed. So, I don't think he's suffered a financial loss as a result of this loan having been agreed.

I can also see Mr N was able to maintain his monthly repayments under this agreement settling the loan in early 2024.

So, I'm satisfied the checks carried out by UK Credit were reasonable and proportionate based on the information they gathered, and Mr N provided. On balance there wasn't any need to seek any further information. I'm satisfied UK Credit was entitled to rely on this information and based on these checks they made a fair lending decision.

I've also considered whether UK Credit acted unfairly or unreasonably in some other way given what Mr N has complained about, including whether their relationship with him might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given I don't think UK Credit lent irresponsibly to Mr N or otherwise treated him unfairly. I haven't seen anything to suggest that s140A or anything

else would given the facts of this complaint lead to a different outcome here.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 9 June 2025.

Anne Scarr  
**Ombudsman**