

The complaint

Mr C, through a representative, says UK Credit Limited lent to him irresponsibly.

What happened

Mr C took out a guarantor loan from UK Credit on 27 March 2019. It was for £12,500 over 60 months. The monthly repayment was £389.27 and the total repayable was £23,356.29. It was given on the basis that Mr C had a guarantor who would be responsible for the repayments if Mr C failed to make them.

Mr C says he was not financially stable enough to be approved for this loan. He had recently left his job and was looking for a new role. As a result of getting this loan he had to keep borrowing and eventually he entered a debt management plan. This loan was not included as it was a guarantor loan.

UK Credit says it carried out proportionate checks that showed the loan was affordable for Mr C.

Our investigator did not uphold Mr C's complaint. He said UK Credit's checks were adequate and it made a fair lending decision based on the information it gathered.

Mr C disagreed and asked for an ombudsman's review. He said his credit file clearly showed he was in financial difficulty prior to approval of the loan.

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 complaints is set out on our website and I've followed it here.

The Financial Conduct Authority (FCA) was the regulator when UK Credit lent to Mr C. Its rules and guidance, set out in its Consumer Credit Sourcebook (CONC), obliged UK Credit to lend responsibly. Amongst other things, UK Credit was required to carry out a reasonable and proportionate assessment of whether Mr C could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check.

The checks also had to be borrower-focused. So UK Credit had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Mr C. In other words, it wasn't enough for UK Credit to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mr C. Checks also had to be proportionate to the specific circumstances of each loan application.

In general, what makes up a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the

consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount, type and cost of credit they have applied for. In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the longer the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether UK Credit did what it needed to before agreeing to lend to Mr C, and have considered the following questions:

- did UK Credit complete reasonable and proportionate checks when assessing Mr C's loan application to satisfy itself that he would be able to repay the loan in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did UK Credit make a fair lending decision?
- did UK Credit act unfairly or unreasonably in some other way?

UK Credit asked for some information from Mr C before it approved the loan. It asked for details of his income. It checked this using a third-party income verification tool. It asked about his housing and living costs. It checked his credit file to understand his credit history and existing debts. It asked about the purpose of the loan which was debt consolidation. From these checks combined UK Credit concluded Mr C would have monthly disposable income of £782.94 after making the repayment and so the loan was affordable.

I think these checks were proportionate given the loan purpose and the initial results. And I find UK Credit made a fair lending decision based on the information it gathered. I'll explain why.

Mr C declared a net monthly income of £2,884 that UK Credit successfully verified. I note Mr C has said he was not working at the time. But this is contrary to his declaration when he applied. And he gave his employer's details, job title and time in role. He also confirmed he knew of no pending changes to his circumstances. As UK Credit were able to check his income using a current account turnover tool from one of the credit reference agencies it was reasonable UK Credit used the figure of £2,884 in its assessment.

Mr C declared his ongoing non-discretionary housing and living costs to be £1,033.79 and UK Credit calculated his existing credit costs would reduce to £678 after consolidation. Mr C had told UK Credit which two loans and one credit card he was going to settle. So the loan appeared affordable on a pounds and pence basis.

UK Credit also needed to check the loan was sustainably affordable, that is that Mr C could repay it without borrowing further and that there would not be any adverse financial consequences for Mr C. Mr C argues he was not financially stable at the time. UK Credit's credit check showed he had no recent adverse data on his file, his active debt was all up-to-date with no recent arrears. He was using just £20 of his £2,750 overdraft facility. The check

did show that he had used payday loans in the past, but this was around four years ago and they were all settled in full. In total Mr C had £24,118 of debt. He planned to settle around 45% of it with this loan and around 40% of it was on a single hire purchase agreement. Overall, I do not think his file showed a level of financial pressure that ought to have concerned UK Credit.

Mr C's full credit file does show some arrears that were not apparent from the lender's check, and some other accounts that UK Credit's report did not include. There can be discrepancies between what a lender will see and a consumer's full file for a number of reasons – not all lenders report to all agencies and there can be timing differences. But I can only fairly expect UK Credit to respond to the results of its credit check. And in the round as this loan was for debt consolidation I cannot see there a reason not to lend to Mr C based on its proportionate checks.

I accept that Mr C went on to experience financial difficulties. But I suspect this is because Mr C did not settle the debts he had said he would with this loan and also took on other debts after this loan. This is evident from his credit file. UK Credit could only make a reasonable decision based on the information it had available at the time. Mr C didn't have a history of applying for loans with UK Credit for consolidation purposes and then returning for further funds after having failed to consolidate as he said he would. So I think UK Credit was reasonably entitled to believe the funds would be used for the stated purpose.

Overall, I do not think UK Credit was wrong to lend to Mr C.

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 UK Credit lent irresponsibly to Mr C 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 C's complaint.

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

Rebecca Connelley
Ombudsman