

The complaint

Mr M complains that Home Credit Limited lent to him irresponsibly by not doing enough checks to discover that he was not able to afford the loans.

What happened

Mr M took three loans with Home Credit and the table here gives a summary of the lending.

Loan	Approved	Amount	Terms	Status
1	9 May 2023	£500	£32 a week for 25 weeks	Paid 30 October 2023
2	13 November 2023	£500	£32 a week for 25 weeks	Paid 1 May 2024
3	8 May 2024	£500	£34 a week for 25 weeks	In arrears

After Mr M had complained and had received a response from Home Credit, it was referred to the Financial Ombudsman Service where one of our investigators did not consider that the complaint should be upheld. Mr M did not agree, gave no reasons why and sent in no further evidence. The unresolved complaint was passed to me 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.

We've set out our general approach to complaints about this type of lending - including all the relevant rules, guidance, and good industry practice - on our website. Home Credit had to assess the lending to check if Mr M could afford to pay back the amounts he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Home Credit's checks could've taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr M's income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Home Credit should have done more to establish that any lending was sustainable for Mr M. These factors include:

- Mr M having a low income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- The amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Mr M having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);

- Mr M coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Mr M. As he took three loans only I do not consider that a pattern of lending arose here.

Home Credit was required to establish whether Mr M could *sustainably* repay the loans – not just whether he technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Mr M was able to repay her loans sustainably. But it doesn't automatically follow that this is the case.

Home Credit has explained and provided evidence that it obtained three payslips from Mr M before each loan was approved. It also saw his passport for an identity check and it was provided with copy bank statements. But those appear to have been used to prove ownership of an account only as the transactions in those bank statements were not included in the documents sent to the business – just the headline details showing the bank, account number and Mr M's address. Mr M has told our investigator that the bank account statements were provided to Home Credit to confirm his address. So that makes sense as it dovetails with the information Home Credit has copied to us.

I have reviewed all the information Home Credit obtained from Mr M to see if the facts it was presented with indicated that he could afford the repayments. I've used rounded figures for ease.

For Loan 1, Mr M demonstrated with evidence that he had earned £1,946 a month after tax in March 2023 and £1,922 in February 2023. In April 2023, his wage had been £1,943. Home Credit obtained information on Mr M's outgoings and carried out an income and expenditure exercise (I&E). These included details of Mr M's rent, utilities, council tax, food costs, insurances/TV, transport costs, telecoms plus additional figures of other items like toiletries and entertainment, clothing, and pets. Home Credit had done a credit search and had used a figure of £30 a month for other loans to which Mr M had been paying. In weekly figures this led it to calculate that Mr M had £447 a week income and £325 a week outgoings in total. So that demonstrated he could afford the £32 each week.

For Loan 2, Mr M provided Home Credit with payslips and in August 2023 he earned £2,160, in September 2023 it was £2,017 and in October 2023 Mr M earned £2,214 after tax. The I&E for loan 2 worked out to be similar figures to Loan 1 and Home Credit was able to calculate that Mr M could afford the £32 a week. He had paid off Loan 1 without issue.

For Loan 3, the payslips Mr M presented showed a decrease in his net salary due to a deduction for a car lease. So, his payslip for take home pay in February 2024 and March 2024 was £1,730, and in April 2024 it was £1,807 after tax. The credit search showed no issues about which Home Credit ought to have been concerned, and the I&E showed the £34 a week was affordable. Mr M had repaid Loans 1 and 2 without issue.

I consider that Home Credit carried out proportionate checks and lent responsibly. There was nothing in the information Mr M provided and which it had discovered from its own research which would have led it to consider that additional checks were required.

I do not uphold the complaint.

I've also considered whether Home Credit acted unfairly or unreasonably in any other way and I have 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 it lent irresponsibly to Mr M 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

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 23 September 2025.

Rachael Williams
Ombudsman