DRN-5489947

The complaint

Mr C complains that Plend Limited was irresponsible in its lending to him.

What happened

Mr C was provided with a £10,000 loan by Plend in November 2023. The loan term was 60 months and Mr C was required to make monthly repayments of around £247.

Mr C said that at the time he applied for the Plend loan he had debts outstanding of around £60,000 consisting of credit cards and loans and he was needing to make substantial repayments to these. He explained that he had to go into breathing space with his creditors in December 2023 and then enter a debt management plan (DMP) in April 2024.

Plend issued a final response to Mr C's complaint dated 16 October 2024. It said that during the initial application and subsequent review following Mr C's complaint, it wasn't found that Mr C had poor credit at the time of the borrowing. It said he had no County Court Judgements or defaults and no missed payments in the previous 12 months. It noted the purpose of the loan was debt consolidation and that Mr C provided details of the debts he intended to repay with the loan. It said Mr C declared an annual income of £45,000 and his banking data showed a monthly net income of around £5,000. It said that its checks showed the loan to be affordable.

Mr C referred his complaint to this service.

Our investigator thought the checks carried out by Plend before the loan was provided were proportionate. As he found the checks to show the loan to be affordable, he didn't uphold this complaint.

Mr C didn't agree with our investigator's view. He said he was paying around £1,200 towards his credit commitments each month, but based on his outstanding credit balances this amount should have been around £1,500. He said that while he had said that the loan was for debt consolidation, Plend couldn't be sure it would be used for this and given he had around £60,000 of debt this should have raised concerns. He said he had three dependents, and the income and expenditure assessment didn't leave him with sufficient income to cover his living costs.

Our investigator considered Mr C's comments. He noted that Mr C had used the Plend loan to repay his existing commitments. He said that taking into account the loan was for debt consolidation, he didn't think that the evidence suggested it was unaffordable.

Mr C didn't agree with our investigator's comments and provided further details about his income and expenses at the time.

As a resolution wasn't agreed, this complaint was passed to me, an ombudsman, to issue a decision.

My provisional conclusions

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

Before the loan was provided, Plend gathered information about Mr C's employment, income and residential status. Mr C said he was employed with an annual income of £45,000 and was renting. A credit check was carried out which Plend said showed Mr C had around £60,000 of outstanding debt, of which around £28,500 was loans and around £21,000 revolving credit. The credit check showed that Mr C was up to date on his existing credit commitments and there were no missed payments recorded in the previous 12 months.

Given the size of the loan being provided and noting Mr C's existing commitments I think that Mr C's income needed to be verified. Plend said that it verified Mr C's income through open banking data, and this gave a monthly income of around £5,000. Given Mr C's declared income would have given a monthly income of around £2,900 I think it would have been reasonable to have asked for further evidence of Mr C's income if an amount above the declared £2,900 was to be used. Looking through Mr C's bank statements these show that he received a salary of £2,830 in September and November 2023 and £5,537 in October 2023. Mr C has said the October pay included a bonus payment and while this would have increased his average income in the months leading up to his application, as this was not regular income, I do not think this should have been relied on. There were also transfers in and out of the account, but these weren't regular. So, based on Mr C's declared income and that further questions would likely have confirmed his monthly income to be around £2,830, I find it reasonable that this would be the amount used in the affordability calculations.

Mr C said that the purpose of the loan was for debt consolidation, and he noted the debt he intended to repay was credit card debt. I have taken this into account. However, I have also noted that Mr C was provided with two other substantial loans in March 2023 which could suggest that Mr C was becoming dependent on a high level of debt and as this loan wouldn't be consolidating these, even though his credit card debt would reduce he would still be left with substantial debts. Given this I think it right that Plend carried out a thorough review of Mr C's expenses including his credit commitments to get a clear understanding of his financial situation at the time.

Plend used open banking data to understand Mr C's income and expenses and I find this a reasonable base. This showed that Mr C's monthly repayments to his existing loans were around £862. Additional to this it recorded his repayments to his credit cards in the previous month as around £1,155. As Plend had identified Mr C's revolving credit at the time as around £21,000 I think it would have been reasonable to include a figure for his revolving credit repayments of around £1,050. This would give Mr C total monthly credit repayments of around £1,912 which I think should have raised concerns when considered as a percentage of his net monthly income.

That said, the loan was intended for debt consolidation and so I think it reasonable this was taken into account. Mr C had said he intended to reduce his credit card debt and he did do this by about £8,500. However, as he had said he intended to use the loan for this purpose I find it reasonable to factor in a £10,000 reduction in Mr C's revolving credit and base the affordability calculations on this.

Reducing Mr C's revolving credit by £10,000 would leave outstanding credit of around £11,000. The repayments due on this would be around £550. Adding to this Mr C's existing loan repayments of around £862 and the Plend loan repayments of around £247 would give him total credit repayments of around £1,659 a month.

Mr C had said that he was renting, and the data gathered by Plend didn't give a clear indication of his rental payment therefore I think it would have been proportionate to have asked Mr C how much he was paying for rent and other housing costs. Had it done so it would have found that he was paying £725 a month for rent and transferring £600 for bills. Adding these costs to Mr C's credit commitments resulted in his outgoings exceeding his income before any amounts were allowed for general living costs.

So, while I understand that Mr C had requested the loan for debt consolidation, in this case, I think that adequate checks would have shown the Plend loan to be unaffordable. Added to this Mr C's increased reliance on debt within the year prior to this loan being provided and I think that Plend should have been concerned that Mr C wasn't in a stable financial situation and that it wasn't sustainable for him to take on further credit at this time.

So, for the reasons set out above, I intend to uphold this complaint.

I've also considered whether Plend acted unfairly or unreasonably in some other way given what Mr C has complained about, including whether its relationship with Mr C might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr C in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Mr C accepted my provisional decision. Plend didn't. Plend said that the open banking data for the three months leading up to Mr C's application showed on average monthly repayments towards his debts were £1,255. Adding the rent payment and bills Mr C declared gave total outgoings of £2,580.

Plend said that Mr C said the loan would be used to repay another debt and taking this into account would reduce his outgoings to £2,420. Deducting this from Mr C's income of £2,830 would leave £410 a month as disposable income. The loan repayment was £246.70 which would leave disposable income of over £100 which it said passed its checks.

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 general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

As I set out in my provisional decision, given the size of the loan being provided and Mr C's existing commitments I think that Mr C's income needed to be verified. While Plend carried out a verification through open banking data, this gave a monthly income substantially above Mr C's declared income and so I think further checks were needed to establish the accurate income amount. Mr C's bank statements show that he received a salary of £2,830 in September and November 2023 and £5,537 in October 2023 and he has explained the October pay included a bonus payment. For the reasons I set out in my provisional decision, I think it would have been reasonable for Plend to base its affordability assessment on Mr C's regular monthly income, being £2,830.

Plend has said that even if the income figure of £2,830 was used, the loan would still be affordable based on the amount Mr C was paying towards his credit commitments, rent and bills, factoring in the reduction in outgoings resulting from this loan being used for debt consolidation.

Plend has said that Mr C's debt repayments in the months leading up to his application were around £1,255 a month. Having looked through Mr C's account it shows he was making payments towards three loans which totalled around £862 a month. Additional to this, the credit check showed he had revolving credit of around £21,000. Based on repayment of 5% this would result in monthly repayments of around £1,050. Giving total credit repayments of around £1,912 which I think should have raised concerns when considered as a percentage of his net monthly income.

Plend noted that the loan was intended for debt consolidation, and I included this in my provisional decision. However, Mr C's credit repayments would still have been around £1,659 a month following the consolidation. Adding to this his rent of £725 a month and bills of £600 a month would give total outgoings that exceeded Mr C's income, before general living expenses were included. Therefore, I don't find that this loan should have been considered affordable.

Plend provided different figures in its response to my provisional decision but even based on those, Mr C's disposable income after paying the Plend loan repayments would be around £164 before including any of his general living costs, which I do not find suggests the loan to be sustainably affordable for him. Adding to this Mr C's increased reliance on debt within the year prior to this loan being provided and I think that Plend should have been concerned that Mr C wasn't in a stable financial situation.

So, for the reasons I set out in my provisional decision and those set out above, I do not think this loan should have been considered sustainably affordable for Mr C and so I am upholding this complaint.

Putting things right

I think it's fair and reasonable for Mr C to repay the capital that he borrowed, because he had the benefit of that money. But he has paid interest and charges on a loan that shouldn't have been provided to him.

Therefore, Plend Limited should:

- Refund all interest, fees and charges from the loan and treat all the payments Mr C made as payments towards the capital.

- As I understand that a capital balance will remain after reworking the account Plend should work with Mr C and the administrator of his DMP to agree a repayment schedule.

- Remove any adverse information recorded on Mr C's credit file in relation to the loan once the capital is repaid.

My final decision

My final decision is that I uphold this complaint. Plend Limited should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 20 May 2025.

Jane Archer
Ombudsman