

## **The complaint**

Mr S complains that UK Credit Limited was irresponsible in its lending to him. He wants all interest and charges refunded, along with statutory interest, and any adverse information recorded about this loan removed from his credit file.

Mr S is represented by a third party but for ease of reference I have referred to Mr S throughout this decision.

## **What happened**

Mr S was provided with a £5,000 loan by UK Credit in December 2019. The loan term was 30 months and the total amount repayable was £7,493.10 with Mr S making monthly payments of around £250.

Mr S says that adequate checks weren't carried out before the loan was provided to ensure that he could sustainably afford the repayments. He said he had a high amount of debt outstanding at the time and was utilising most of his credit card limits.

UK Credit issued a final response to Mr S's complaint dated 9 September 2024. It explained that before lending it carried out credit worthiness and affordability checks. It said Mr S's credit check didn't suggest he was struggling financially. It said an income and expenditure assessment was undertaken and Mr S's income confirmed through a credit reference tool. It calculated Mr S's credit commitments based on his credit file and asked Mr S about his other expenditure. It noted the loan was intended for debt consolidation and said that based on its checks the loan was affordable for Mr S.

Mr S referred his complaint to this service.

Our investigator thought that the information identified through UK Credit's check should have raised concerns about his financial stability. Therefore, he thought that further checks should have taken place. He noted that Mr S had provided copies of his bank statements and said these supported Mr S's declared income. He noted there were frequent transfers in and out of the account and that UK Credit queried these with Mr S.

Our investigator explained that the statements showed Mr S was gambling and that he took out two loans in November 2019, and the money from both was used to enable further gambling. He noted that Mr S applied for the loan to consolidate some debts but thought that given the interest rate on the loan was 49.9% APR it was unlikely this refinance would have noticeable benefit to Mr S. He thought that had UK Credit obtained sufficient information to make a fair lending decision, it would have identified that Mr S was unlikely to use the money as intended. Given these circumstances he didn't think that UK Credit should have provided the loan.

UK Credit didn't agree with our investigator's view. It said its credit checks didn't raise concerns and based on the information that was provided, there was nothing to suggest that Mr S wasn't financially stable. It said that its checks were proportionate and that the lending was intended for debt consolidation which would have reduced Mr S's monthly outgoings. It

said there was no indication that Mr S would use the funds for a purpose other than consolidation.

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 not upholding this complaint. The details of my reasoning are set out below.

*Before the loan was provided, UK Credit carried out credit worthiness and affordability checks. These included gathering information from Mr S through its application process and carrying out a credit check. UK Credit also called Mr S to discuss his income and expenses. Mr S's credit file showed that he had over £31,000 of loan debt, around £5,830 of credit card debt and £702 of other debt. This is a high amount of debt and I note that Mr S had taken out two loans and a hire purchase agreement within around eight months of his application (with one loan taken out in the previous month). While Mr S's credit report didn't show signs that he was struggling with his commitments at the time, he did have historic defaults recorded (2014 and 2015). Given this, I think it reasonable that UK Credit asked Mr S about his credit commitments and carried out a full income and expenditure assessment.*

*Mr S explained that he had taken out the hire purchase to acquire a car which he needed for his work. He said that the other loans were taken out for home improvements and to cover the month when he had no income due to changing his job. Based on the information Mr S had provided about his employment and when this started, I find it reasonable that UK Credit accepted his explanation for the recent loans.*

*UK Credit verified Mr S's income through a credit reference agency tool and went through his expenses with him. Mr S said he paid £450 towards his rent and when it was noted this was lower than he had previously declared he explained that the total rent was £750, and he shared this with his partner. He provided information about his partner's income. Mr S then provided details of his other expenses and explanations when he wasn't paying for these. I find it reasonable this information was relied on.*

*Taking everything into account, while I think the initial credit check did raise concerns, given Mr S's recent increased borrowing, I think the additional questions asked about this were sufficient. Therefore, in this case, I think the checks carried out before the loan was provided were reasonable.*

*However, just because I consider the checks to have been proportionate, this doesn't necessarily mean that I think the lending should have been provided. To assess that I have considered the information gained through the checks to understand whether this suggested the loan wouldn't be sustainably affordable for Mr S or raised other concerns that meant the loan shouldn't have been provided.*

*Mr S's declared income was £3,200 a month. He confirmed this was his post tax income on the income and expenditure call. This amount was verified and while I do not think that UK Credit was required to obtain copies of Mr S's bank statement in this case, I note these supported the income declared.*

*Details of Mr S's expenses including items such as rent, utilities, insurances, media and phone contract, car as well as other general living costs (including entertainment) were discussed on the call. Based on Mr S's responses these totalled around £1,045 a month. Mr S's credit check showed he was paying around £930 towards his outstanding loans and*

*hire purchase agreements. His total credit card debt was around £5,930 and taking repayments of 5% would result in monthly costs of around £300. This gives total credit costs of around £1,230 before the UK Credit loan repayments.*

*While the total credit payments were high, I note that Mr S said this loan was for debt consolidation. He set out the debts he intended to consolidate being around £3,000 of credit card debt and around £2,000 of loans. Considering the repayments he was making towards his existing credit commitments and the cost of this loan, I do not find that the debt consolidation would have made a substantial difference to his overall costs. But I accept that the loan would be replacing other debt and so his total credit commitments wouldn't have increased beyond the £1,230.*

*While this is a high portion of Mr S's net income, after deducting his credit commitments and other costs, I find this still left Mr S with a reasonable level of disposable income. Therefore, I do not find that the checks suggested the loan to be unaffordable for Mr S.*

*Mr S was gambling at the time and our investigator noted that had UK Credit been aware of this it would have realised that the loan would likely be spent on gambling rather than debt consolidation. I do not disagree with this. However, in this case as I do not find that UK Credit was required to obtain copies of Mr S's bank statements, I do not find I can say it should have been aware of his gambling. UK Credit asked Mr S if he spent money on gambling and he said he didn't. It also asked the purpose of the other loans and Mr S provided reasonable responses to these questions. Therefore, I do not find that UK Credit should have been aware that Mr S was gambling and that he may use the loan proceeds for this.*

*So, for the reasons I have set out above, I didn't uphold this complaint.*

Mr S didn't agree with my provisional decision. He said that his debt level and monthly credit payments were a large proportion of his income therefore further checks should have taken place. He said his credit report showed he was in financial hardship and taking on new borrowing to meet existing commitments. He said further checks would have shown he was gambling and borrowing money to gamble.

### **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.

While I note Mr S's comments in response to my provisional decision, these haven't changed my conclusions. Mr S has noted that he had a high level of debt, and I acknowledged this in my provisional decision. Given this I thought it reasonable that as well as the usual credit worthiness and affordability checks, UK Credit asked Mr S about his credit commitments and carried out a full income and expenditure assessment.

In the discussion about Mr S's existing credit commitments he provided credible explanations for his borrowing and as such I think it reasonable that UK Credit relied on this. Mr S's income was verified and while I do not think that UK Credit needed to obtain copies of Mr S's bank statements these support the income declared. Mr S was asked about his expenses. Based on the results of these checks the lending appeared affordable.

So, while I accept that Mr S was using a high proportion of his monthly income to pay his credit commitments, I do not find in this case, that I can say the lending was unaffordable for him.

Mr S was gambling at the time but as I have explained, in this case I do not find that UK Credit was required to obtain copies of Mr S's bank statements. Therefore, I do not find I can say it should have been aware of his gambling. UK Credit asked Mr S if he spent money on gambling and he said he didn't. It also asked the purpose of the other loans and Mr S provided reasonable responses to these questions. Therefore, I do not find that UK Credit should have been aware that Mr S was gambling and that he may use the loan proceeds for this.

I've also considered whether UK Credit acted unfairly or unreasonably in some other way given what Mr S has complained about, including whether its relationship with Mr S 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 S 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.

While I understand my decision will be disappointing for Mr S, in this case, I do not find I can uphold this complaint.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 28 May 2025.

Jane Archer  
**Ombudsman**