

The complaint

Mrs F complains that Bank of Ireland (UK) Plc (BOI) was irresponsible in its lending to her.

What happened

Mrs F was provided with a £22,000 loan by BOI in July 2022. The loan term was 72 months and Mrs F was required to make monthly repayments of around £484.

Mrs F said that shortly before applying for the BOI loan she had taken out a £25,000 loan with another provider in order to consolidate her debts, but this didn't cover the full amount of her borrowing. She said the loans pushed her into a dependency cycle having to borrow more to meet her repayments. Mrs F believes that had BOI carried out adequate checks it would have seen she was in financial difficulty - relying on her overdraft, utilising most of her credit card limits and taking out other debt - and that it wouldn't have lent to her.

BOI issued a final response dated 19 September 2024. It said that when Mrs F applied for the loan she passed its credit, fraud and affordability checks and she met its lending criteria. It said its checks supported the loan being lent responsibly.

Mrs F referred her complaint to this service.

Our investigator considered the information that BOI had been able to provide about its checks. She noted the size and term of the loan being provided and the monthly repayments and thought that further checks should have been carried out.

Our investigator assessed what she thought would likely have been identified had further checks taken place and thought these would have shown that Mrs F was entering into a debt cycle. She noted that Mrs F had taken out two large loans in the seven weeks prior to the BOI loan and that her total loans outstanding including the BOI loan would be £57,000. She thought this suggested that Mrs F had become reliant on credit to supplement her income. Therefore, she didn't think that BOI should have provided the loan, and she upheld this complaint.

BOI didn't agree with our investigator's view. It explained that for higher earners it would expect to see higher levels of borrowing. It said that the two loans taken out shortly before Mrs F's BOI application would likely not have shown on her credit report due to the time taken for these to be reported. It noted that Mrs F said the BOI loan was for home improvements and there was evidence in her statements that these were taking place. It noted that Mrs F hadn't exceeded her overdraft or credit limits and had maintained her loan payments (apart from one). Based on this it stood by its original decision that the lending was responsible.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a decision.

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.

Before the loan was provided, BOI gathered information about the purpose of the loan and Mrs F's employment and income. Mrs F said the loan was for home improvements and that she was employed with a monthly net income of £3,495. Mrs F's income figure was checked through a credit reference agency and an amount of £2,841 was recorded. A credit check was carried out and Mrs F's existing repayments for loans were noted as £1,000 and her payments for her credit cards (based on 3% repayments) was £25. No amounts were recorded for Mrs F's payments for mortgage/rent and no amount shown for a mortgage in her credit file. Her monthly expenses were estimated as £707.

Given the difference between Mrs F's declared income and the credit check result, the high amount she was already paying towards her existing credit commitments and the size and term of the BOI loan and the repayment amounts, I think that further checks should have been carried out to fully understand Mrs F's financial circumstances before the loan was provided.

Had further checks been undertaken, BOI would have found that Mrs F was receiving just under £3,000 from her employer in the months leading up to the loan application along with other regular payments into her account of around £360. There were other payments and transfers in and out but I have only included the regular receipts. This gives total income just below the amount Mrs F declared.

I haven't seen the details of BOI's credit check so I cannot say for certain what was identified. But I note it recorded Mrs F's loan repayments as £1,000 and her credit card repayments as £25. Having looked through the copy of Mrs F's credit report, this shows that she was provided with the credit card account in April 2022, around three months before the BOI loan. Her credit report and bank statements also show her receiving two other substantial loans in the weeks leading up to the BOI application - one in May 2022 for £25,000 and one in June 2022 for £10,000.

I note BOI's comment that these may not have been present on her credit check at the time of her application but noting the repayment recorded in its credit check results I think it likely the first of these loans was included. However, even if this wasn't the case, given Mrs F's credit repayment based on BOI's calculations and including the BOI repayments would account for around 50% of Mrs F's salary and around 45% of the total income, I think it would have been reasonable to have asked her about her expenses including her credit commitments at the time. Had this happened, I think, on balance, that the loans Mrs F had taken out would have been identified. Given, Mrs F had taken out a new credit card account and two substantial loans in the months leading up to the £22,000 BOI loan, I think this should have raised concerns that Mrs F had become reliant on credit. Given this, I do not think that BOI acted reasonably by providing Mrs F with a substantial amount of additional credit at this time.

I've also considered whether Monzo acted unfairly or unreasonably in some other way given what Mrs F has complained about, including whether its relationship with her 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 Mrs F in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

If BOI has sold the outstanding debt it should buy this back if it is able to do so and then take the following steps. If BOI is not able to buy the debt back then it should liaise with the new debt owner to achieve the results outlined below.

To settle Mrs F's complaint BOI should do the following:

- Add up the total amount of money Mrs F received as a result of having been given the loan. The repayments Mrs F made towards the loan should be deducted from this amount.
 - a) If this results in Mrs F having paid more than she received, then any overpayments should be refunded along with 8% simple interest* (calculated from the date the overpayments were made until the date of settlement). BOI should also remove all adverse information regarding the loan from Mrs F's credit file.
 - b) Or, if after the rework there is still an outstanding balance, BOI should arrange an affordable repayment plan with Mrs F for the remaining amount. Once Mrs F has cleared the balance, any adverse information in relation to the loan should be removed from her credit file.

*HM Revenue & Customs requires BOI to take off tax from this interest. BOI must give Mrs F a certificate showing how much tax it's taken off if she asks for one.

My final decision

My final decision is that Bank of Ireland (UK) Plc 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 Mrs F to accept or reject my decision before 9 June 2025.

Jane Archer
Ombudsman