

The complaint

Miss H complains Secure Trust Bank PLC trading as V12 Retail Finance (V12) failed to carry out sufficient financial checks before it provided credit facilities to her.

What happened

Miss H says she took out a finance agreement of £1,083.56 in 2019 with V12 and at that time she had sizeable external unsecured debt of approaching £24,000. Miss H says V12 failed to carry out reasonable steps to assess her ability to make the repayments.

Miss H says she wants V12 to refund any interest paid with 8% simple interest.

V12 says when Miss H applied for the finance her income was declared at between £15,000 and £19,999 and it used external sources to check her estimated monthly expenditure, which was around £1,915 per month. V12 says the external checks included an affordability check which suggested the loan was affordable, based in part from income passing through her current account. V12 feel the checks it carried out were reasonable and proportionate.

Miss H wasn't happy with V12's response and referred the matter to this service.

The investigator looked at all the available information and upheld Miss H's complaint. The investigator pointed out there were no set list of checks lenders need to complete but they must be borrower focussed. The investigator says V12 carried out a credit search which showed Miss H had external debt of approaching £24,000 made up of credit card, mail order and unsecured debt.

The investigator says while she felt V12 carried out reasonable checks, it hadn't made a fair decision to lend. The investigator says this is because V12 were aware from its own affordability checks and as mentioned in its final response letter, Miss H's expenditure was around £1,915 per month - but her declared income even at the higher end would have only been £1,480 per month.

So, with that in mind the investigator didn't feel Miss H had sufficient disposable income to meet her obligations and therefore the lending wasn't affordable.

To put things right the investigator asked V12 to refund all interest fees and charges along with 8% simple interest.

V12 didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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.

Having done so, I will also be upholding this complaint and I will explain how I have come to my decision.

Miss H's complaint centres around the fact V12 failed to carry out sufficient financial checks before it approved the credit agreement for £1,083.56 in 2019. Miss H says at the time, she had considerable external unsecured debt and V12 didn't look more closely at her income and expenditure to see if it was affordable.

It's worth saying that there are no set rules as to what checks lenders must undertake, but these should be borrower focused and take into account amongst other things the type of lending, cost, and term.

From the information available given the time that has passed, I can see V12 carried out a credit search at the time and conducted its own affordability modelling using outside credit reference agencies. It's fair to say here given the fairly modest amount of the monthly payments there is a limit to the level of checks I would expect to see, so on balance I'm satisfied V12's initial checks were reasonable and proportionate.

Having said that, while the checks themselves were adequate what is important is V12 then properly assess the information from those sources and act upon it, before providing any credit facilities.

Here by its own admission, V12 were informed by the external sources it used, that Miss H's estimated expenditure was around £1,915 per month, but in her application Miss H had stated her income was between £15,000 and £19,999 per annum, meaning her monthly income was roughly between £1,200 to £1,480, so a sizeable shortfall here.

While I understand V12 says these checks also concluded the amount passing through her current account suggested she had surplus income, that didn't tie in with what it had already been informed and that would have been the time to take a closer look at Miss H's overall financial position – but I can't see it did that. Afterall, the credit checks did show fairly sizeable unsecured external debt of approaching £24,000 which in itself would have taken up a significant proportion of her net income each month, let alone any other living costs.

With that in mind and on balance I can't say V12 did all it could here to ensure the credit facility was affordable.

While V12 will be disappointed with my decision, I feel this is a fair outcome here.

Putting things right

I instruct Secure Trust Bank PLC trading as V12 Retail Finance to refund all interest paid on the credit agreement along with 8% simple interest.

* HM Revenue & Customs requires Secure Trust Bank PLC trading as V12 Retail Finance to deduct tax from any award of interest. It must give Miss H a certificate showing how much tax has been taken off if she asks for one.

My final decision

My final decision is that I uphold this complaint.

I instruct Secure Trust Bank PLC trading as V12 Retail Finance to refund all interest paid on the credit agreement along with 8% simple interest.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 25 June 2025.

Barry White
Ombudsman