

The complaint

Mr E complains that Plata Finance Limited was irresponsible to agree a loan for him.

What happened

Plata agreed a loan of £8,000 for Mr E in April 2023. The total amount owed was £12,531.85 to be repaid over four years with monthly repayments of £261.08. I understand that Mr E has made all his repayments to March 2025 at least.

Mr E complained to Plata in February 2024 that the loan was unaffordable for him. He said the repayments took up a large proportion of his income, and he was already struggling to repay his existing debt, including a large loan taken out within the previous 12 months.

Plata didn't uphold Mr E's complaint. It said it made a fair lending decision after carefully considering his circumstances and affordability, and didn't agree it had lent irresponsibly.

Mr E referred his complaint to us. Our investigator looked into what happened. They found that Plata should have seen from its checks that Mr E didn't have enough disposable income to repay the loan sustainably. They recommended that his complaint be upheld.

Plata didn't agree with this recommendation and asked for the complaint to come to an ombudsman for a review and it came to me. I found that Mr E's complaint should succeed, and sent a provisional decision to both parties on the 11 May 2025 to explain my reasoning, to share the information I'd relied on and to propose what should happen to put things right.

I haven't had a response from Plata. Mr E let me know he accepted my provisional decision but didn't wholly agree with my proposal for putting things right for him.

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 reviewed the matter again, including what Mr E said in response to my provisional decision, I remain of the view that his complaint should succeed and that my proposal for putting things right is fair and reasonable in the circumstances of this case. I'll set out my reasons for upholding Mr E's complaint again in this final decision, and address his response where appropriate.

As before, I've had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as Plata, need to abide by. Plata will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise them.

Before entering into a credit agreement, Plata needed to check that Mr E could afford to meet his repayments for the loan term without having to borrow further, while meeting his existing commitments and without the repayments having a significant adverse impact on his

financial situation. The checks needed to be proportionate to the nature of the credit (the amount borrowed, for example) and take into consideration Mr E's circumstances.

Ultimately, Plata needed to treat Mr E fairly and take full account of his interests when making its lending decision. It would not be lending fairly if "it targeted customers with regulated credit agreements which are unsuitable for them, by virtue of their indebtedness, poor credit history, age, health, disability or any other reason" (CONC 2.2.2).

With this in mind, my main considerations are did Plata complete reasonable and proportionate checks when assessing Mr E's application to satisfy itself that he would be able to make his repayments without experiencing adverse consequences? If not, what would reasonable and proportionate checks have shown? Was there anything of concern in the checks Plata did carry out and did it make a fair lending decision? Did Plata treat Mr E unfairly or unreasonably in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974?

Plata provided copies of the information it relied on including Mr E's application and a copy of his credit file from the time. Plata said it used a credit reference agency (CRA) analysis of Mr E's bank account transactions (called an 'Open Banking' report) to verify his income. It provided copies of these reports for Mr E's sole and joint bank accounts. It also provided a recording of a telephone call in which it discussed the loan details with Mr E.

Mr E provided a recent copy of his credit file.

It seems to me that Plata gathered sufficient information to carry out a reasonable and proportionate creditworthiness assessment. I've reviewed the information to understand what Plata knew of Mr E's finances and to consider whether its lending decision was fair.

Mr E gave his income as £2,300 and his accommodation payments as £500 in his application.

Mr E's credit file showed that he held two mortgages, with repayments of £453 and £391; a hire purchase agreement with a balance of £21,811 and repayments of £284, and a loan with a balance of £22,904 and repayments of £357, taken out in May 2022. There was a balance of £1,807 owed on another loan with repayments of £53. Mr E was overdrawn on his sole current account by £474 out of a limit of £500. He was at this limit in January 2023, and had exceeded it in December 2022.

Mr E also held three credit cards, with a combined balance of £7,084 out of a credit limit of £7,300. All the borrowing was in Mr E's sole name, except his mortgages which were jointly held.

Plata said that there was no negative information on Mr E's credit file, and he was within his credit limits. It said that the credit file was indicative of an individual who was in control of their finances but was fully utilising their credit lines.

I'm afraid I don't agree with this view of Mr E's credit file. The record shows that Mr E had taken £2,624 worth of cash advances on his credit cards in the previous 12 months, 15 of which were in the last six months amounting to £1,461. Cash withdrawals are an expensive form of borrowing. The amount and frequency of the cash withdrawals, the level of his other borrowing plus his overdraft use suggests to me that Mr E was struggling to meet his expenses out of his usual income and was reliant on borrowing.

Agreeing this loan for Mr E would commit him to spending £955 each month repaying his sole debts, excluding any payments towards his credit cards. This was over 40% of his

declared income, without considering that he was also liable for two mortgage payments amounting to £844. I appreciate that these were jointly held but Mr E was also responsible for meeting the repayments, by himself if necessary.

The regulations in place at the time state that Plata needed to pay proper regard to the outcome of its assessment in respect of affordability risk. An example of where the risk might be high included circumstances where the total value of the customer's debts relative to their income is high. Plata also needed to have regard to information of which it was aware at the time that might indicate that the customer was in, had recently experienced, or was likely to experience, financial difficulties. I think Plata should have suspected this from the information it held.

Mr E confirmed on a call with Plata that the loan was for the consolidation of balances on three credit cards. Plata told us that at the time of the loan, Mr E was repaying about 4% of his credit card balance a month which amounted to £283, and so taking out the loan left Mr E with a higher disposable income. The loan repayment was lower at £261 a month. However, it wasn't significantly lower that taking out the loan would clearly improve Mr E's financial position to the extent that it was more likely than not that he would be able to meet the loan repayments, alongside everything else he was committed to repaying, without borrowing again.

Mr E provided a recent copy of his credit file and I can see from this that he did use the loan to clear his credit card balances. However, within a few months Mr E opened another credit card account and the balances on two of the cards he had cleared had returned to the same level, which I think was reasonably foreseeable. One of these accounts has since defaulted and the other is reported as being delinquent.

Having considered everything carefully, I think Plata should have declined Mr E's loan application. I don't think it made a responsible or fair lending decision on this occasion and so I am upholding Mr E's complaint.

I have thought about whether Plata treated Mr E unfairly in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. I'm satisfied the redress I have directed below results in fair compensation for Mr E in the circumstances of this complaint and that no additional award would be appropriate in this case.

Putting things right

In cases such as these, our usual approach to putting someone back into the position they were in before entering into the agreement is to limit the debt owed to the capital borrowed. We'd expect the lender to work with the borrower to agree an affordable repayment plan for any outstanding capital balance. I think this is a fair approach in this case, after all Mr E has had the use of this money and so should return it, but he shouldn't have to pay any interest, fees or charges associated with the loan I've found to have been irresponsibly agreed.

In response to my provisional decision, Mr E asked that the balance of the loan be written off in full. Mr E said, in summary, that the loan repayments had already caused him significant financial harm and that placing him on a repayment plan would continue to do so. He said that his current financial situation did not support sustainable repayments and would likely lead to further borrowing. Mr E also said that writing off the debt would provide closure for him, and allow his financial position to improve.

I have carefully considered what Mr E has said. I am sorry to disappoint him, but I haven't seen enough in the available information to persuade me that Mr E's situation is such that

there is no prospect of him repaying the outstanding capital balance within a reasonable period of time, for example, or that he does not have the mental capacity to engage with a debt recovery process.

I fully appreciate that meeting the repayments for this loan alongside other debts has not only had a financial impact but an adverse impact on Mr E's mental wellbeing, and I am sorry that he's found himself in such a difficult position. I do not mean to minimise how hard things are for Mr E, but I cannot find that it would be fair and reasonable to direct Plata to write off the outstanding balance in his case.

In summary, to put things right for Mr E Plata should:

- Cap the amount Mr E needs to repay at the total capital he borrowed, being £8,000, and consider all payments he made as payments towards this capital amount; and
- If Mr E has repaid more than he borrowed (which I don't think is the case here) then any overpayments should be refunded to him, along with 8% simple interest per annum* added to these payments from the date they were paid to the date this complaint is settled; or
- If Mr E hasn't repaid more than the capital he borrowed, then Plata should work with him to arrange an affordable repayment plan for the remainder.
- Remove any adverse information about this loan from Mr E's credit file once settled.

If Plata has sold the loan balance to a third party debt collector, it will need to either buy the balance back or work with the third party to bring about the above steps.

* HM Revenue & Customs requires Plata to take off tax from this interest. Plata must give Mr E a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons I've explained above, I am upholding Mr E's complaint about Plata Finance Limited and it now needs to put things right as I've said.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 15 July 2025.

Michelle Boundy
Ombudsman