

The complaint

Miss S says Hastings Financial Services Limited ('Hastings'), irresponsibly lent to her. She says that it didn't take reasonable steps to ensure she could afford the repayments towards a loan.

What happened

This complaint is about a loan Hastings provided to Miss S in June 2024. Miss S borrowed £12,000 for debt consolidation. The loan had a 60 month term and a monthly repayment amount of £279.58. Miss S would need to repay £16,774.80 in total over the term of the loan.

Miss S has complained to Hastings saying that it didn't properly check whether she could keep up with the loan repayments. If it had done this it would've seen she couldn't afford the loan and not lent to her. It has also not supported her when she's had problems repaying the loan.

Hastings considered this complaint, and it didn't uphold it. It said it'd completed reasonable checks, which showed Miss S could afford the agreement in a sustainable way. It explained the checks it made and why it thought the loan was affordable. It also outlined the support it had given Miss S when she couldn't make the loan repayments.

Miss S didn't agree with this and brought her complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Miss S' complaint. He wasn't persuaded that the checks Hastings had made were proportionate, but he thought that if better checks had been made it would've seen the loan was affordable and so it's decision to lend was fair.

Miss S didn't agree with the Investigator. She maintained that if appropriate checks had been carried out, Hastings would have identified that she was struggling financially due to her reduced income while on maternity leave and the increased costs due to her new family.

There was some further correspondence, but no new issues were raised. Because Miss S didn't agree, this matter has been passed to me to make 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Hastings complete reasonable and proportionate checks to satisfy itself that Miss S would be able to repay the credit in a sustainable way?

- a. if so, did Hastings make a fair lending decision?
- b. if not, would reasonable and proportionate checks have shown that Miss S could sustainably repay the borrowing?

2. Did Hastings act unfairly or unreasonably in some other way?

And, if I determine that Hastings didn't act fairly and reasonably when considering Miss S' application, I'll also consider what I think is a fair way to put things right.

Did Hastings complete reasonable and proportionate checks to satisfy itself that Miss S would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the credit being applied for, as well as the borrowers' personal circumstances at the time of each application.

Hastings asked Miss S what her income was, and she said it was about £30,000 annually or about £2,000 a month. And it used a credit reference agency tool to check the accuracy of her declared income. Miss S hasn't said this figure is incorrect and I think it's reasonable to say Hastings verified what Miss S' income was.

Hastings also checked Miss S credit file and found out that she had some other debt. She had credit card balances of £2,420, a mail order account with a balance of £480, an overdraft of £775, an unsecured loan of £6,800 and a fixed term loan of £144. It estimated, using a 5% repayment amount for the credit cards, that she was paying about £750 a month to this other credit. The largest component of this was the unsecured loan to which she was paying just under £500 a month.

The information Hastings received from the credit reference agency showed that Miss S didn't have any adverse credit information such as late payments or defaults (or more serious adverse credit repayment indicators).

Miss S told it that her mortgage repayment was £300 a month, and it estimated her other monthly living expenses, using office of national statistics, to be about £580. Giving total living expenses of about £890.

Hastings worked out that Miss S would have about £390 left over to repay the loan. But it thought it was reasonable to assume, as the loan was being used for debt consolidation, that half the repayment amount should be used to assess affordability. That is about £140 a month. After it did this it thought that she had enough left over to repay the lending.

Miss S had told Hastings that she was going to use the new loan to settle her existing unsecured loan, her credit cards and her overdrafts. This would give her a saving of about £590 a month. Miss S has confirmed that she did do this.

But Miss S was borrowing a significant amount, and she was committing to make payments over five years. And she already did have a significant amount of debt. So, I think it would have been important for Hastings to ensure that she could afford the repayments to the new loan. And I think it would have been proportionate to have asked more questions about Miss S' expenditure rather than, in the main, relying on averages for this and the information contained in the credit report.

So, I'm not persuaded that the checks Hastings did were reasonable and proportionate. I think Hastings could have checked in more detail that this further lending wasn't likely to cause her a problem going forward. I've gone on to consider what Hastings would likely have found had reasonable and proportionate checks been carried out.

Miss S has provided copies of her bank statements for the few months before the loan was started. While I wouldn't have expected Hastings to have asked Miss S for copies of these, I'm satisfied that these statements would give a good indication of what Hastings would likely have taken into consideration had it asked Miss S to verify, or provide more information about, her income and committed expenditure during that specific period.

Our Investigator has made a detailed analysis of the bank statements and how the debt consolidation affected this. I'm not going to reproduce the detail of this here, as all the parties to the complaint are aware of it. And no one has said the information our Investigator produced was materially incorrect.

The bank statements show that Miss S's income was about £2,100 a month and she received some financial support from a form partner which took this up to about £3,000 per month. She had essential and regular living costs of about £1,850 and other financial commitments of £800. The new loan was about £300 a month but Miss S would no longer be repaying making repayments of over £500 to other debt. And so, the loan would be affordable for her. As she would have over £500 spare income each month.

Added to this there is very little sign of any financial problems on the bank statements. Miss S does use her overdraft occasionally but not always. And she is paying her priority bills, and other expenses, without problem.

I don't disagree that at the point when the loan was started, if Hastings had made more detailed checks, it would've seen that the loan was affordable for her.

The crux of Miss S' disagreement with this is that she feels Hastings should have taken into consideration her wider circumstances. That she was on maternity leave at the time the loan was arranged and would go on to have increased expenses due to starting a family. She would go on to work reduced hours when she returned to work.

But at the time the loan was approved Miss S was on full pay, and this was confirmed both by herself and in her bank statements. Miss S did know that she would be on reduced pay (90%) for three months and then there was around three months unpaid until she returned to work. I understand she was due to return full time but at a later point reduced the hours she was working.

As a starting point, I don't think that Miss S informed Hastings about this when she took the loan. And I don't think she would have known she would be working less hours when she returned to work fully. So, I don't think it would be reasonable to say that Hastings should have taken this into consideration.

But even if Miss S had disclosed this. I'm not persuaded that it would have made a difference. Miss S was borrowing money to reduce her outgoings, and it would seem, to have some spare money for the future, when her income would reduce before she returned to employment. It doesn't seem unreasonable to borrow money for this reason. And so, I think better information about Miss S' potential future life changes wouldn't have led to Hastings lending unfairly.

In concluding this I'm bearing in mind that the loan did significantly reduce Miss S' monthly credit commitments. I appreciate this is not the full picture as she was increasing her borrowing, but reducing her outgoings before a time of uncertainty isn't unreasonable. And if she hadn't done this her situation could be worse.

So, and while I appreciate this will come as a disappointment to Miss S, I'm satisfied that, had Hastings carried out reasonable and proportionate checks, I think that it's likely it would have found the loan to be sustainably affordable.

Did Hastings act unfairly or unreasonably in some other way?

Miss S has said that Hastings didn't offer enough support when she had problems repaying the loan. But from what I can see it did try to contact her at this time, but it was unable to do this. I don't think that Hastings acted unreasonably here.

I have also considered whether the relationship 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 it lent irresponsibly to Miss S or otherwise treated her 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.

I haven't seen anything to make me think Hastings acted unfairly or unreasonably in some other way.

My final decision

For the reasons set out above, I don't uphold Miss S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 12 November 2025.

Andy Burlinson
Ombudsman