

The complaint

Mr H complains that Plata Finance Ltd (Plata) acted irresponsibly in providing him with a personal loan because it was unaffordable for him.

What happened

Mr H took out a personal loan with Plata in August 2024. The loan was for £7,500. The loan term was 60 months, and the monthly payment was £225.84.

When he applied for the loan, Mr H declared that he was employed full time with a net monthly income of £3,900. In October 2024, Mr H told Plata he had been injured at work and agreed a payment holiday with it. In February 2025, Mr H told Plata he was unemployed, and the account was placed on temporary hold. Mr H then entered a debt management plan in March 2025.

In March 2025, Mr H complained that Plata had been irresponsible in lending to him. He said that he had not, in fact, been employed at the time of his application. Mr H said that he had left his job in March 2024 to trade cryptocurrency and, unfortunately, he hadn't been successful. Mr H complained that Plata had failed to verify his income and employment, and that if it had done so it wouldn't have lent to him.

In its final response, Plata said it had used information from a credit reference agency to verify Mr H's income, and that it thought it had acted fairly and reasonably.

Mr H wasn't happy with Plata's final response and referred the complaint to our service. To resolve things, Mr H said he wanted the front-loaded interest of £6,000 charged to the loan balance refunded to him in cash, the remaining capital balance of the loan written off, and compensation for the distress and inconvenience caused to him.

One of our Investigators considered the complaint and didn't uphold it. Mr H disagreed, so the complaint was passed to me.

I issued a provisional decision. In summary, I said that I thought that Plata should have conducted further checks to satisfy itself the loan was sustainably affordable for Mr H. I thought that if it had done so it would have uncovered that Mr H wasn't employed. I therefore upheld the complaint. To resolve things, I said Plata should refund the interest applied to the loan.

Mr H accepted my provisional decision. Plata disagreed with my provisional decision. In summary, it said it was presented with a low risk customer where the income verification tools it used presented consistent current account turnover. It provided some clarification about how the income verification tool worked. It asked whether the monthly mortgage payment amount Mr H had provided in the application was accurate. It also said it would add a marker to a national fraud prevention database, as he had obtained the loan by misrepresentation.

The case now returns to me for 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.

I issued a provisional decision, in which I said:

"I've considered the relevant rules and guidance on responsible lending set by the FCA, laid out in the consumer credit handbook (CONC). In summary, these say that before Plata lent it needed to complete reasonable and proportionate checks to satisfy itself that Mr H would be able to repay the debt in a sustainable way, without borrowing further elsewhere.

Plata has explained that before it lent, it considered the information Mr H had provided in his application, and information from a credit reference agency. In his application, Mr H declared that he was employed full time, and that his net monthly income was £3,900.

The information from the credit reference agency showed that Mr H had some historic arrears, but that he hadn't missed any payments towards his credit commitments in the 12 months prior to the application. The information from the credit reference agency also showed that Mr H had previously taken out several short-term loans, but that they had all been settled at least a year before the application.

Mr H's credit file showed that Mr H had four personal loans with monthly payments totalling £984 – 25% of his declared monthly income. Mr H had also declared in his application that his monthly mortgage payment was £1,300, but the mortgage didn't show on the credit file Plata received from the credit reference agency.

Plata has said that Mr H told it that the mortgage likely wasn't shown on his credit file as he'd only taken it out recently. I asked Plata to provide recordings of its calls with Mr H, and I've listened to the recording it provided. I couldn't hear that Plata's agent asked Mr H why the mortgage didn't appear on his credit file – just that Mr H confirmed that he was a homeowner, with a mortgage, and that he'd taken the mortgage out recently.

In any case, as the mortgage didn't appear on Mr H's credit file, Plata couldn't use it to confirm the monthly payment Mr H had declared.

Plata has told us it used ONS data to estimate Mr H's essential monthly expenditure to be £546.67. As Plata calculated that Mr H had £1,390.16 left once he had paid his mortgage and credit commitments (including the new proposed loan payment), it considered the loan would be sustainably affordable for him.

Plata has explained that it used a tool from the credit reference agency, which uses current account turnover to verify the income Mr H declared. It's told us that where a consumer has more than one current account (as was the case here), the tool showed that one of Mr H's current accounts had a turnover that varied by 25% or less of the income he declared.

In some instances, the consumer's income being up to 25% lower than the amount Plata considered may not make a difference as to whether or not the loan is affordable. But in this instance it could mean that Mr H's income was up to £975 lower, in which case – based on Plata's estimates and calculations – he would be left with no disposable income after meeting all his credit commitments and essential expenditure.

I'm mindful that current account turnover includes all incoming funds to an account, and not just a consumer's salary. I'm also mindful that Mr H had told Plata that he was a relatively new homeowner - which would likely mean that his outgoings had likely changed in the recent past – and that Plata had been unable to verify the amount of Mr H's monthly mortgage payment. I can also see that the four loans shown on Mr H's credit file had been taken out in March and April 2024 – less than six months prior to his application with Plata.

So, although Plata took some steps to verify Mr H's income and expenditure, I think it should have conducted further checks to verify Mr H's income and expenditure, to satisfy itself that the loan was sustainably affordable for Mr H.

Plata has said that it thinks that Mr H was employed when he applied for the loan, and that the information he gave in the application was accurate. Plata says it thinks that because Mr H contacted it after the loan was drawn down in October 2024 and said that he'd been injured and wasn't able to work for a few weeks.

Mr H has supplied bank statements for two current accounts covering the three months prior to the application. Those bank statements don't show any salary being paid into Mr H's accounts.

I also asked Mr H to provide a copy of his current credit file. Both that copy of his credit file, and the copy Plata received from the credit reference agency when it considered the application, show Mr H having two open current accounts.

On balance, based on the evidence available to me, I think it's more likely that Mr H wasn't employed at the time of the application, and that the information he gave Plata about his employment before and after the application was untrue.

So, if Plata had asked Mr H for evidence to verify his income and expenditure before agreeing to lend, I think it's likely that it wouldn't have done so.

For the reasons I've explained, I'm intending to uphold this complaint. So, I've gone on to consider what's a fair way for Plata to put things right.

To resolve things, Mr H has said that he would like Plata to refund the interest charged to him in cash, write off the remaining balance, and to pay compensation for the distress and inconvenience caused to him.

Our service has a longstanding approach to complaints about unaffordable lending, including how businesses should put things right where lending was unaffordable. Mr H can find this on our website.

Mr H received the capital of the loan, and had use of those funds. So I think it's reasonable that Mr H be held liable for the amount he borrowed - £7,500.

I think it's reasonable that Plata should refund the interest charged to the account, as I don't think it should have lent. But I don't think it's reasonable that the refund of interest should be paid to Mr H directly, as those aren't funds he would ever have had access to.

I'm sorry to hear how difficult things have been for Mr H over the last couple of years. I don't doubt how distressing things have been for him. I haven't gone into detail to protect Mr H's privacy, but I'd like to reassure him that I've read and considered everything he's told us. That said, I don't think it's reasonable to say that Plata's decision to lend to him is the cause of the difficulties Mr H has faced. Overall, taking everything into account, I don't think it's

reasonable for Plata to make any compensation payment to Mr H for distress and inconvenience.

I'm also mindful that, ultimately, Mr H obtained this loan by misrepresentation. So, while I think it's fair and reasonable for him to be put back in the position he would have been had Plata not lent, as I think it should have uncovered the misrepresentation, I don't think it's reasonable for him to be put in a better position by this service."

I've read the full file again and considered Plata's comments. My decision about what Plata should do to resolve the complaint hasn't changed, and I'll now explain why.

Firstly, with regards the possibility of Plata adding markers to a national fraud prevention database, it's up to Plata to decide whether that's an appropriate step to take. I'd like to remind Plata that it should only do so if it has sufficient evidence, and if Plata considers it to be in line with the guidance the national fraud prevention database sets for its members.

Mr H has provided us with a copy of his current credit file, which he obtained from a different credit reference agency than the one that Plata used when conducting its checks. This shows that his mortgage started in March 2023, and had the monthly payment Mr H declared in the application. Nonetheless, Plata hadn't verified the monthly mortgage payment prior to granting the loan application.

Regarding the tool it used to attempt to verify Mr H's income, Plata explained:

"The 25% section does not mean that the income is consistently 25% below the declared amount. It means that the income inflows can fluctuate within +/-25% at any given month, but the income is overall estimated to be around the declaration provided by the customer during their online application. It is quite common that customers will have fluctuating income (e.g., due to seasonality, bonuses, etc.), but this doesn't mean that, on an average steady-flow basis, the income is not sufficient."

I'd like to thank Plata for the further explanation. I still think this means there's potentially a significant difference between the income Mr H declared and the current account turnover the tool found. And I am still mindful that current account turnover includes all funds coming into an account.

On balance, taking everything into account, I still don't think that Plata conducted sufficient checks to reasonably conclude that the loan was affordable for Mr H. I am therefore continuing to uphold this complaint.

Putting things right

To resolve things, Plata Finance Ltd should:

- Remove all interest, fees and charges applied to this loan from the outset. The payments Mr H has made should be deducted from the new starting balance – the £7,500 originally lent.
- Once all adjustments have been made, Plata Finance Ltd should contact Mr H (or his debt plan manager) to arrange a suitable repayment plan. Mr H (or his debt plan manager) are encouraged to get in contact with and cooperate with Plata Finance Ltd to reach a suitable agreement for this. Once any outstanding capital balance has

been repaid Plata Finance Ltd should remove any adverse information from Mr H's credit file.

I've also considered whether the actions of Plata Finance Ltd have meant there's an unfair relationship between it and Mr H. However, I'm satisfied the redress I've directed above results in fair compensation for Mr H in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

**HM Revenue & Customs requires Plata Finance Ltd to deduct tax from any award of interest. It must give Mr H a certificate showing how much tax has been taken off if he asks for one.*

My final decision

My final decision is that I uphold this complaint. To resolve things, Plata Finance Ltd should take the steps outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 11 September 2025.

Frances Young
Ombudsman