

## **The complaint**

Miss M has complained that Link Financial Outsourcing Limited trading as Asset Link Capital (No.9) (“Link”) gave her finance – which Link is now responsible for without carrying out sufficient affordability checks.

While Link is now responsible for the loan, it didn’t originally provide it. The loan was provided by Future Finance before it entered into administration – and the loan and title were then sold to Link.

Miss M is also concerned with the cost of the loan as the interest rate was variable and so her repayments increased beyond what the agreement said she would need to pay. She also says in total she needed to repay a significant sum given the way the loan was structured.

## **What happened**

In December 2019, Miss M took a loan to assist with her studies because she realised after being partway through her course that she wouldn’t receive full funding for the tuition fees. Miss M borrowed £6,900 and the loan had an interest rate (at the time) of 16.72% which was variable.

Miss M was due to make 34 monthly payments of £5 followed by 84 payments of £231.67. The loan was structured this way to reflect that Miss M would be studying when the payments started. By making the payments in line with the agreement Miss M would’ve repaid a total of £19,629.27. The loan was repaid in November 2024.

Link considered Miss M’s complaint about the lending, and it concluded proportionate affordability checks had been carried out. Unhappy with this response, Miss M referred the complaint to the Financial Ombudsman.

An Investigator then considered the complaint, and it wasn’t upheld. Miss M didn’t agree and I’ve summarised her responses below.

- At the time the loan was granted Miss M was a student and couldn’t afford the repayments from the outset.
- The future income was speculative and wasn’t guaranteed which meant some months a large portion of her income went towards repaying the loan.
- After graduation Miss M struggled to secure a permanent job – and had to take supply work – which led to her income being unstable.
- Miss M’s monthly payments also increased significantly up to £264 per month which made the finance even more unaffordable.
- It wasn’t disclosed to Miss M that her payments could vary – had she known about the variable interest rate she wouldn’t have taken the loan.
- Link can’t show what checks were carried out and therefore they weren’t proportionate.

These comments didn't change the Investigator's mind, as no agreement could be reached the complaint has been passed to me to decide.

### **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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. And I've used this approach to help me decide Miss M's complaint. Having carefully considered everything I've decided to not uphold Miss M's complaint. I'll explain why in a little more detail.

Link needed to make sure it didn't lend irresponsibly. In practice, this meant it needed to carry out proportionate checks to be able to understand whether Miss M could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for checks to be less thorough – in terms of how much information is gathered and what is done to verify it – in the early stages of a lending relationship.

But we might think more needed to do be done if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a firm to be able to show that it didn't continue to facilitate a customer's loans irresponsibly.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss M's complaint. But when doing this I have also considered that this loan was granted to cover the tuition fees that Miss M had as a result of not receiving funding through the usual means. As such the funds given to Miss M had already been earmarked and enabled her to complete her tuition for the year it was granted. Had this loan not been granted it isn't entirely clear what Miss M would've done.

Miss M's application was agreed after she provided details of her monthly income and some information on her expenditure. Link says this would've been cross-checked against information against a credit search. Unfortunately, due to First Finance now being in administration a copy of the credit search results is no longer available.

Link says based on the limited information it has now it does show Miss M could afford to make the repayments she was committing to. On the other hand, Miss M has said she should never have been provided with this loan because it was never affordable.

I've carefully thought about what Miss M and Link have said. The first thing for me to say is that Miss M's loan wasn't a typical arrangement, as there was a clear understanding that she wasn't immediately able to make the full monthly repayments as she was going to be studying. This meant Miss M was only required to make reduced payments for the duration of her studies. It was only when these were completed and a couple of months had passed to allow her to find employment would she have to make the increased repayments.

And this was due to happen from November 2022 onwards. Regarding Miss M's situation at the time of the application, the information provided does suggest Miss M was asked to provide some details regarding her income and expenditure and Link didn't just rely on what

it was told as it carried out a credit search too. However, as I've said above the full credit search results are no longer available to review, but I am satisfied from the information provided by Link that a credit search was at least carried out.

For the affordability assessment, Link assumed Miss M wouldn't start fully repaying this loan until her salary had improved after completing the course – and at that point it projected that Miss M's income would like be around £21,776 (post tax) or just under £1,900 per month.

I've thought about this post tax monthly income, but given Miss M was studying to become a teacher this monthly salary doesn't appear to be overly optimistic or widely outside of what a graduate could earn. I therefore do think it was reasonable of Link to have relied on this projection.

I accept that Miss M says it's not fair to have relied on the projection for her income especially as once she finished her course she did struggle to find permanent work and this meant her actual income varied month to month. But I think Link was entitled to have relied on the projection I've set out above. It was a reasonable figure to have used given the type of job Miss M was hoping to seek post study. I'm therefore satisfied Link was entitled to have relied on its projection for future earnings.

There was also a projection based on what it thought likely credit commitments would be and average living costs – these were totalled to be £1,479 per month which taken from the estimated income would've left sufficient disposable income for her to afford the loan repayments.

Given the credit search results aren't available – albeit for what I consider to be a valid reason. I've gone onto to review the information Miss M has provided including her credit file. I've used the credit report provided by Miss M – there are some limitations to this because it only holds data for the previous six years. So, it's entirely possible and plausible that there were other accounts visible to Link at the time the loan was granted which I now can't see.

But based on what I can see in the credit report provided by Miss M then I don't think Link would've been overly concerned because there wasn't anything to suggest Miss M was either overindebted or was struggling to meet her existing credit commitments at the time the loan was granted.

And even if Link had taken copy bank statements from Miss M there wasn't anything contained within them that would've led it to conclude that she'd not be in a position to afford the initial contracted payments or the increased amount once she completed her studies.

I've also considered that once Miss M was due to pay the increased rate of the loan payments she did get into arrears. But Link has shown that following phone calls it spoke to Miss M and she told Link the payments were still affordable and an arrangement was agreed to repay the arrears. I appreciate Miss M has said the loan wasn't affordable, but Link could only react to what it was told at the time.

So, overall, I don't think that Link acted Miss M unfairly or unreasonably in its dealings with Miss M. And I'm not upholding this complaint. I appreciate this will be very disappointing for Miss M. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

I've 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 Link lent irresponsibly to Miss M 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.

### **Other considerations**

I've considered the other points Miss M has made as well specially around the cost of the credit and the interest rate that led to her payments increasing in 2024.

I think it's fair to say that the cost for the credit is greater than what Miss M may have been able to achieve had she gone to a high street bank for example. But had she done that she'd have expected to have started the repayments straight away rather than what happened here which was a three-year period of reduced payments while she was studying. So, this agreement gave flexibility that she may not otherwise have achieved from a more mainstream lender.

This flexibility would be built into the cost, and I'm satisfied that the credit agreement does outline how much was being lent, over what term and the projected total amount was to be repaid – I don't think Link made an error with the information it provided.

The credit agreement sets out that the interest rate is variable, and it explains the calculation as to how the rate is calculated with the terms and conditions of the loan. Indeed, there is a box on the first page of the agreement that explains the interest rate is variable – so I do think it was prominent enough to have informed Miss M that the interest rate the agreement had could change.

I'm also satisfied from the information provided, that when it did change the interest rate of it let Miss M know this was going to happen, why it was happening and what the new rate would be. It looks the interest rate increased to 20.70% from April 2024.

As a result – while a payment schedule was included with the original agreement there was always the possibility that Miss M's monthly repayments could increase beyond what the credit agreement projected them to be. And that is what happened here, I can't uphold Miss M's complaint for this reason.

Overall, I am not upholding Miss M's complaint.

### **My final decision**

For the reasons given above, I am not uphold Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 16 March 2026.

Robert Walker  
**Ombudsman**