

## **The complaint**

Mr P complains Plata Finance Limited (Plata) failed to carry out through enough financial checks before it approved a loan for him.

## **What happened**

Mr P says Plata approved a loan in April 2024 for £3,000, at a time when he was already heavily indebted and if Plata had carried out more in depth financial checks at that time, it would have seen the new borrowing was unaffordable.

Mr P says this has added to his financial problems and led him into a cycle of debt which has caused him stress and worry. Mr P wants Plata to refund all the interest charged to the loan account by way of settlement.

Plata says it is a responsible lender and before approving the loan, which was intended to consolidate existing indebtedness, it carried out comprehensive financial checks using the declared information contained within Mr P's application along with external credit checks provided by credit reference agencies (CRA's).

Plata says these checks showed overall Mr P had been managing his external debts well, with no defaults, arrears or CCJ's evident and while there was one occasion of a missed payment this was corrected.

Plata says from its affordability modelling Mr P had more than sufficient net disposable income to meet the new loan account even if these funds were not used to consolidate several smaller debts as intended. Overall Plata believes the financial checks it carried out were reasonable and the borrowing looked sustainable at the time.

Mr P wasn't happy with Plata's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator pointed out there were no set list of checks lenders must carry out, but these should be borrower focused. The investigator felt from the information available it showed Plata had carried out external financial checks using CRA's which showed no obvious signs of financial stress, such as defaults or CCJ's and while there was one occasion of a missed payment, this was corrected and overall Mr P had managed his finances well.

The investigator felt the checks Plata had carried out were reasonable and proportionate. The investigator says from the information available, it showed Mr P had a net disposable income of around £1,100 per month to meet non-essential expenditure, which would have been improved if Mr P had used the loan to repay some of his smaller outstanding debts as intended. Overall, the investigator felt Mr P had sufficient net disposable income to meet the loan approved by Plata and its decision to lend was fair.

Mr P 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 won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to hear that Mr P is experiencing financial issues at that must be a source of worry for him. When looking at this complaint I will consider if Plata carried out reasonable and proportionate financial checks before it approved a £3,000 for Mr P in April 2024.

Mr P's complaint centres around his view that Plata failed to carry out thorough enough financial checks before it approved the loan in April 2024, and if it had it would have seen he was in a negative borrowing pattern and the new loan was unaffordable.

While I understand the points Mr P makes here, I'm not fully persuaded by his argument and I will go on to explain why.

As the investigator has pointed out, there are no set list of checks lenders like Plata must carry out before approving credit facilities but these should be borrower focused taking into account the amount, type, term and cost of any borrowing. I should say here it's not for me to tell Plata what those checks must consist of, or from what sources those checks should come from.

Here, I can see Plata relied on the information provided by Mr P in his loan application and carried out external credit checks using CRA's and undertook its own internal affordability modelling, before approving the loan.

The checks here show that Mr P had a history of borrowing, which apart from one occasion of a missed payment that was corrected, these were well managed. There were no obvious signs of any financial pressure on Mr P's credit report nor any CCJ's, defaults or payment plans that might lead Plata to ask for other supporting financial information here.

I can also see that Plata carried out its own affordability modelling, using information declared by Mr P regarding his income and essential expenditure, alongside external industry standard expenditure profiles and also verified Mr P's income from external CRA sources. This showed Mr P has a strong level of net disposable income, more than sufficient to meet the monthly loan payments on a sustainable basis.

It's also worth mentioning that the purpose of this loan was to consolidate existing debt, which if used for that purpose would have course reduced Mr P's existing external debt and reduced his monthly cost on that debt. So here it's difficult to say this loan, if used for the purpose it was intended, added to Mr P's overall indebtedness and Plata can't be held responsible if that wasn't the case.

That said, even if the loan wasn't used for consolidation purposes Plata had allowed for the existing borrowing costs remaining, and this still showed a healthy sum to meet Mr P's ongoing commitments.

With that in mind, I am satisfied Plata undertook reasonable and proportionate checks before it approved the loan in April 2024, and its decision to lend was fair for the reasons I have already stated.

I've also considered whether Plata acted unfairly or unreasonably in some other way given

what Mr P has complained about, including whether its relationship with him might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case.

While Mr P will be disappointed in my decision, I won't be asking anymore of Plata.

### **My final decision**

My final decision is that I do not uphold this complaint.

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

Barry White  
**Ombudsman**