

The complaint

Miss T complains that Plata Finance Limited was irresponsible in its lending to her. She wants all interest and charges removed so she is only liable for the amount she borrowed. She also wants compensation.

What happened

Miss T was provided with an £18,000 loan by Plata Finance in August 2023. The loan term was 36 months and Miss T was required to make monthly repayments of around £690. Miss T complained that the loan was unaffordable, and that Plata Finance didn't carry out proper checks before lending. She said Plata Finance acknowledged that she had a high level of credit and was paying back a large amount each month, but the loan was still provided. She explained that she is a single parent with three dependents and that the repayments have placed her in severe hardship.

Plata Finance issued a final response to Miss T not upholding her complaint. It noted that when Miss T applied for the loans she said she was employed full time with a net monthly income of £2,601 and that she was married with two dependents. Plata Finance confirmed Miss T's income using a credit reference agency income verification tool and used third party data to estimate her expenses. A credit check showed that Miss T was up to date on her credit accounts and Plata Finance said the loan would have enabled Miss T to consolidate her debts. Plata Finance said that based on its credit and affordability checks the loan was affordable.

Plata Finance noted that Miss T made her repayments in full and on time for the first ten months, until advising that the repayments had become unaffordable due to being off sick from work. It said appropriate forbearance was issued, and Miss T was put on a long-term payment plan.

Miss T referred her complaint to this service.

Our investigator noted that the loan was intended to be used to refinance existing credit commitments and she thought the checks carried out before it was provided were proportionate. Based on these checks she found the loan to be affordable for Miss T. Our investigator also considered Miss T's comments about the way she had been treated when trying to agree an affordable repayment plan. However, she found that Plata Finance had tried to assist Miss T in this process. Therefore, she didn't uphold this complaint.

Miss T didn't agree with our investigator's view. She said that her monthly income was around £1,800 not £2,600 and that this wasn't verified as her payslips weren't requested. She said she had a large amount of debt with repayments missed which would have been seen on her credit file and showed she wasn't managing her debt well. She said she didn't have disposable income of £770 as Plata Finance suggested and that her rent was £650, council tax £160, water £50, gas and electric £240 and shopping £600. She said she had no disposable income.

Miss T said that given the size of the loan and repayments additional checks should have

been carried out and these would have shown the loan to be unaffordable.

Our investigator responded to Miss T's comments. She explained that we have to consider what information Plata Finance would have seen at the time of the loan being provided and that Miss T declared her income amount, and this was verified. Our investigator acknowledged that Miss T had a large amount of debt but said the credit check showed she was making her payments each month. Therefore, our investigator's view didn't change.

Miss T reiterated that her income was £1,800 and that this wasn't checked against her payslips. She said she didn't declare a higher income figure. She said she wouldn't have consolidated her debts with this loan.

As a resolution wasn't agreed, this complaint was passed to me, an ombudsman, to issue a decision.

My provisional conclusions

I issued a provisional decision upholding this complaint. The details are set out below.

Miss T was provided with a large loan, £18,000, which required monthly repayments of around £690. These repayments would account for over a quarter of her recorded net monthly income.

As part of the loan application, Plata Finance received information from Miss T about her employment, marital and residential status. The information recorded was that Miss T was employed full time with a net monthly income of £2,601, was married with two dependents and was a council tenant paying £200 a month in rent. A credit check was carried out that showed Miss T had around £21,558 of outstanding debt (£9,785 in loans, £11,310 in revolving credit and a £463 overdraft). While she appeared to be managing her commitments, this was a high amount of debt, and the payments accounted for a substantial amount of her recorded net monthly income. I note there are conflicting comments about debt consolidation and while I have considered this, I do not find I have seen enough to be able to say that Miss T was clear that repaying existing commitments was the only purpose of the loan.

So, while I accept that Plata Finance did use a credit reference agency tool to verify Miss T's income, in this case, given the size of the loan and the repayments and noting Miss T's existing level of debt I think that Plata Finance needed to fully understand Miss T's financial circumstances before the loan was provided. So, I think further checks should have taken place to ensure that Plata Finance had a clear understanding of Miss T's actual expenses (rather than estimated) and to make sure it had an accurate income figure. Plata Finance wasn't required to request copies of bank statements but as I think further checks should have taken place, I requested copies of these from Miss T.

Miss T provided copies of her bank statements for the three months leading up to the loan being provided. These showed her average income for the months to be around £2,270. However, the income received in June 2023 was significantly higher than the other months and Miss T has explained that this included some backpay. Therefore, I think an average of the other months (which gave reasonably consistent income figures) would be reasonable to use and this gives a net monthly income figure of just over £1,900. Based on this income figure, the Plata Finance loan repayments accounted for around 36% of Miss T's income.

Miss T's bank statements show she had regular costs including rent, utilities, childcare and car-related costs as well as paying for her existing credit commitments and general living costs such as food. Miss T's rent was £587 a month and her average payments for utilities,

communications/media contacts, childcare and other memberships averaged around £580. Deducting these from her income would leave around £733. Miss T then also had her other existing credit commitments and while there was a suggestion that Miss T might use the loan to consolidate some of her debts, the loan wasn't sufficient to repay all of her commitments. Deducting an amount for existing commitments would not leave Miss T with enough income to make the Plata Finance repayments, even before taking into account her general living costs such as food. Miss T's bank statements also show a high level of gambling type transactions which I think should also have raised concerns.

Based on the above, I think reasonable checks would have identified that the loan wasn't affordable for Miss T. Therefore, I intend to uphold this complaint.

As I don't think the loan should have been given, I do not think that Plata Finance should be able to charge interest or fees. However, as Miss T had the benefit of the funds provided, I think it fair that she is required to repay these. However, given the issues Miss T has raised I would expect Plata Finance to continue to work with her to ensure that an affordable repayment plan is put in place.

Miss T has said that she should be paid compensation for the upset she has been caused. While I understand that irresponsible lending can cause financial and other emotional distress, in this case I think the fair outcome is for Miss T to only be liable to repay the amount she borrowed. I find this a fair resolution to this complaint.

I've also considered whether Plata Finance acted unfairly or unreasonably in some other way given what Miss T has complained about, including whether its relationship with Miss T might have been viewed as unfair by a court under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Miss T in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Plata Finance didn't accept my provisional decision. It said that the income and rental amounts it used were those provided by Miss T and confirmed using a verification tool. It said it had no reason to doubt these amounts. It also noted that Miss T had said she was a council tenant and so she could have been receiving benefits towards her housing costs, and it asked if it had been checked if Miss T was receiving any other sources of income.

Plata Finance also noted that my provisional decision had noted the inclusion of backpay in Miss T's income and asked what Miss T's regular income was after the application date. Plata further noted that Miss T said the loan was for debt consolidation and said that had this happened it would have reduced her monthly credit costs. It further noted that even if the loan wasn't used for debt consolidation, then it still appeared affordable based on the information Miss T provided and its checks.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the

total cost of the credit.

I have considered Plata Finance's comments in response to my provisional decision. I note it said it had no reason to doubt the income and rent figures collected as part of the application process. However, as I explained this was a large loan with substantial monthly repayments. Based on the income figure Plata Finance received, the repayments accounted for over a quarter of Miss T's income and even if the loan was used for debt consolidation, Miss T would still have other debts outstanding. Given this, I think that Plata should have carried out further checks before lending to ensure that it had a clear understanding of Miss T's actual expenses (rather than estimated) and to make sure it had an accurate income figure to be confident that this loan would be sustainably affordable for Miss T.

Miss T provided copies of her bank statements, and as I set out in my provisional decision these showed her average income for the three months leading up to the loan to be around £2,270. However, Miss T explained that her June 2023 income included some backpay and taking this into account would give a net monthly income figure of just over £1,900. Plata Finance has asked about Miss T's income going forward. Miss T has provided evidence of her July and August 2023 income, and these were around £1,907 and £1,953 respectively. Therefore, I think further questions would have identified Miss T's regular net monthly salary in the months leading up to the loan to be just over £1,900.

Plata Finance also asked whether Miss T was receiving benefits additional to her salary. This is a fair question and Miss T's statements show her in receipt of child benefit of around £160 a month and I think it right this is included with her income. This would bring her net monthly income to around £2,060.

However, using this increased income figure doesn't change my conclusion as set out in my provisional decision. The Plata Finance repayments alone accounted for around a third of Miss T's net income and while I note the comments about debt consolidation, I do not find it was clear that this was the only purpose of the loan. However, even if Miss T used the full amount of the loan to repay existing creditors, she would still be left with some debt. Deducting the costs of the Plata Finance repayments (£690) along with her rent (£587) and her payments for costs such as utilities, communications/media contacts, childcare and other memberships (around £580) would leave around £200 to cover her other remaining credit commitments as well as her general living costs such as food and transport. Taking this all into account, I think this should have raised concerns that the loan wasn't sustainably affordable for Miss T.

So, for the reasons set out above and in my provisional decision, I am upholding this complaint.

Putting things right

As I don't think that Plata Finance Limited should have provided the loan, I do not think it should be able to charge any interest or charges on the credit. I do, however, think it fair that Miss T is required to repay the amount she borrowed. Therefore, Plata Finance should:

- Remove all interest, fees and charges from the balance on the outstanding loan, and treat any repayments made by Miss T towards the loan as though they had been repayments of the principal loan amount.
- If that means that Miss T would have made overpayments, then it must refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled.

- Alternatively, if there is still an outstanding balance following the account restructure, then Plata Finance should try to agree an affordable repayment plan with Miss T.
- Remove any adverse information recorded on Miss T's credit file in relation to this loan, once it has been repaid.

*HM Revenue & Customs requires Plata Finance to deduct tax from this interest. It should give Miss T a certificate showing how much tax it's deducted, if she asks for one.

My final decision

My final decision is that Plata Finance Limited should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 15 October 2025.

Jane Archer
Ombudsman