

The complaint

Mrs S complains that Plata Finance Limited was irresponsible in its lending to her.

What happened

Mrs S was provided with a £20,000 loan by Plata in June 2024. The loan term was 60 months, and Mrs S was required to make monthly repayments of £555.57.

Mrs S explained that she had repeatedly extended her lines of credit over several years with repeated consolidation loans. She said that she suffers from clinical depression which significantly impaired her ability to manage her finances and manifested itself in compulsive spending. She said that adequate checks weren't carried out before the loan was issued and that her pattern of addiction should have been identified as part of the affordability assessment. She said the provision of the loan compounded her financial difficulties and deepened her cycle of debt.

Plata issued a final response to Mrs S's complaint dated 30 July 2025. It noted the information Mrs S had provided about the difficulties she had experienced but said it wasn't aware of her vulnerabilities at the time of lending. It said before issuing the loan it carried out credit worthiness and affordability assessments and based on these it believed it had made a fair lending decision.

Mrs S didn't accept Plata's response and referred her complaint to this service.

Our investigator thought the checks carried out before the loan was provided were proportionate. Based on these checks he found the lending to be affordable for Mrs S. Our investigator also considered Mrs S's comments about her mental health and vulnerability and while he acknowledged the seriousness of Mrs S's situation, he explained that his investigation had to focus on the information available to Plata at the time the lending decision was made. He said that there was nothing in the checks carried out by Plata that meant it should have reasonably detected Mrs S's vulnerability and so he didn't think that it would be reasonable to have expected Plata to have asked further questions regarding Mrs S's mental health.

Mrs S didn't accept our investigator's view. She provided further evidence which she said demonstrated that she had impaired judgment and decision-making capacity at the time. She said that while her credit file didn't show arrears or defaults there were red flags that should have been identified, including her over reliance on debt, and she noted that her bank statements showed her erratic spending patterns. She said that the lending wasn't affordable and caused foreseeable detriment. She asked for her medical evidence to be considered along with this service's established approach to determining whether the lending relationship was unfair under Section 140A of the Consumer Credit act 1974.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a 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.

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.

Mrs S was provided £20,000 loan by Plata in June 2024. Given the value and term of the loan, and the size of the monthly repayments, I think that Plata needed to get a clear understanding of Mrs S's financial circumstances at the time to ensure that the loan would be sustainably affordable for her.

As part of the application process, information was gathered about Mrs S's employment, income and residential status. Mrs S was also asked about her costs including her housing, essential expenses, loan repayments, repayments for credit cards and buy now pay later accounts and other regular expenses. Mrs S's income was validated using an industry tool and third party data was used to estimate her expenses.

A credit check was undertaken which showed Mrs S had several existing credit commitments, with eight outstanding loans with balances totalling £64,540, a credit card account with a £5,378 balance and two mortgage accounts. This is a high level of unsecured debt. Mrs S had said the Plata loan was for debt consolidation and I find it reasonable this would have been accepted and factored into the assessment. While Mrs S did have several existing credit commitments her credit report suggested she was managing these with her accounts being up to date and no recent missed payments, defaults or county court judgments recorded. Mrs S was utilising 51% of the revolving credit balances available to her.

An affordability assessment was carried out based on Mrs S's verified income, the credit costs taken from the credit file and the other declared expenses and this suggested that she would be left with around £1,847 after the Plata loan repayments.

Having considered the checks carried out, that Mrs S's credit check didn't raise concerns that she was struggling with her existing commitments and the affordability assessment suggested a reasonable level of disposable income after the loan repayments, I find the checks carried out were proportionate. I note Mrs S's comments about her vulnerabilities and that these should have been identified through the checks, but I do not think the information gained through the checks raised issues that meant further questions should have been asked and as I have nothing to show that Mrs S provided details of her vulnerability at the time of lending, I find the checks were reasonable and so further questions weren't required.

However, just because I think reasonable checks were undertaken, it doesn't necessarily mean that I think the loan should have been given. To assess that I have considered the outcome of Plata's checks to see if these raised concerns that meant further information should have been gathered or the loan not provided.

Mrs S's declared net monthly income was £4,794 and this was verified using an industry

tool. I think this was reasonable and I also note that having looked through the bank statements Mrs S has provided I do not find that this income figure was unreasonable.

Mrs S declared she was a home owner with a mortgage and her mortgage/rent costs were £400 a month. Her credit report showed she had two mortgages with the repayments totalling around £778 a month. Mrs S had said she was married and so I do not think it unreasonable that her housing costs would be considered as being split, and this would support the £400 figure declared. However, I note the credit checks didn't state that the mortgages were joint and so I have also considered what the affordability checks would have shown using the full mortgage figure of £778.

Mrs S's repayments for her unsecured credit commitments totalled around £1,991. The Plata loan was intended for debt consolidation and if used for this, it could have reduced Mrs S's regular costs. However, if the cost of the existing credit commitments (£1,991) and the new Plata loan repayments (£556) and the full mortgage costs (£778) were deducted from Mrs S' net monthly income, this would still leave around £1,469 for her other living costs and general expenses. Mrs S had declared her essential costs as around £600 and other regular costs as £100 - the third party data estimated these as around £593 and £50 respectively. I do not find that these figures raise concerns that the disposable income figure wouldn't be sufficient to cover her living and other expenses.

So, for the reasons set out above, I do not find I can say that this loan should have been identified as unaffordable for Mrs S.

Mrs S has provided details regarding her mental health and vulnerability as well as the impact the loan has had on her. I thank her for her honesty and for providing this sensitive information. I appreciate how difficult this will have been and I do not underestimate the challenges she has experienced and the impact these have had on her financial and emotional wellbeing. However, I have to assess this case based on what Plata was aware of, or ought to have been reasonably aware of, at the time the loan was issued. In this case, I do not find that the checks carried out raised issues that meant further questions were needed and I do not think it reasonable to have expected Plata to have identified Mrs S's vulnerability. That said, now that Mrs S has disclosed her situation to Plata, we would expect it to take her vulnerability into account and treat her positively and sympathetically in its ongoing relationship with her.

I've also considered whether Plata acted unfairly or unreasonably in some other way given what Mrs S has complained about, including whether its relationship with Mrs S might have been viewed as unfair by a court under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Plata lent irresponsibly to Mrs 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.

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 Mrs S to accept or reject my decision before 19 February 2026.

Jane Archer
Ombudsman