

The complaint

Mr H has complained about a second charge mortgage (secured loan) he held with Central Trust Limited. He's said the lending was irresponsible.

What happened

Mr H took his loan out in 2021. The mortgage offer issued in August 2021 showed he borrowed £21,750 plus £3,000 fees on a repayment basis over six years. The interest rate was fixed at 9.00% for the first five years, after which it would move to a variable interest rate. The monthly payment on the fixed rate was around £450. Around £14,730 of the loan was used to consolidate existing unsecured debt, with the remaining £7,020 being paid to Mr H on completion.

He paid the loan off in March 2025 when he sold the property.

Mr H complains that Central Trust didn't lend responsibly. He said he was behind with payments to his unsecured debts, was in his overdraft constantly and had an addiction to cryptocurrency sites.

Central Trust didn't uphold Mr H's complaint. It said Mr H had applied for a loan for debt consolidation and to fund home improvements, and the application had been made through a mortgage broker. It said it obtained detailed information about his income and expenditure, and the loan was affordable. It said it took account of the information showing on Mr H's credit file, and he provided plausible explanations for the information shown. It said Mr H hadn't disclosed his addiction, and was clear for his reasons for wanting the loan.

Our investigator didn't recommend upholding the complaint. Mr H didn't agree and so it 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.

It's important to note that Central Trust was the lender, but it didn't sell the loan or give Mr H advice. That was done by the broker, and it was therefore the broker's responsibility to ensure the loan was suitable for Mr H. It wasn't up to Central Trust to check that the loan met his needs – but Central Trust did need to ensure that it was responsible to lend. That means checking that Mr H would be able to repay the borrowing in an affordable and sustainable way.

When an application is made to borrow money, the lender must assess whether the borrower can afford the repayments. This secured loan is a regulated mortgage contract which means the provisions in the Mortgages and Home Finance: Conduct of Business Sourcebook ("MCOB") apply. Chapter 11 of that is entitled 'Responsible lending, and responsible financing of home purchase plans'. It says a lender must treat customers fairly by assessing whether the customer will be able to repay the sums borrowed and interest. To

do that the lender must take account of the income of the customer, and the customer's committed and basic essential expenditure.

This means that before agreeing to lend, a lender must carry out reasonable and proportionate checks to assess whether a borrower can afford the loan repayments alongside the borrower's other expenditure.

I've kept all these things in mind, and I've thought carefully about the information Central Trust relied on when it decided to lend to Mr H.

Mr H was asked about his income and expenditure. Central Trust verified Mr H's income by requesting payslips and a copy of his contract of employment. And it took a relatively cautious approach when looking at Mr H's income as it didn't include Mr H's shift allowance or any child related benefit payments when carrying out the affordability check.

Central Trust also carried out a credit check and carried out an affordability check based on Mr H's declared outgoings. Having reviewed everything, I can see those checks suggested Mr H had enough disposable income each month to afford the loan repayments.

Whilst Mr H had taken out various items of credit in the year or so before the application and had a few recent missed payments, he provided plausible explanations for each of those. Putting everything together I don't think there was anything here that should have alerted Central Trust to a problem such that I think it did something wrong in not requesting bank statements.

The rules of mortgage regulation don't require a lender to obtain evidence of expenditure in the same way they do of income. They require it to obtain information about expenditure – and a lender can rely on what a borrower says unless there are common sense grounds for doubting it.

So Central Trust was entitled to rely on the information Mr H had given it about his expenditure and didn't need to ask for supporting information such as bank statements – unless there were common sense grounds for doubting what he'd said.

With hindsight, knowing what the bank statements showed, there were real questions about whether this loan was sustainable for Mr H, because the information on the bank statements would have led Central Trust to question whether Mr H had given accurate information about his expenditure, and whether he would be able to afford the repayments without making substantial changes to his spending.

However, I can only say that Central Trust ought to have taken this into account if there are grounds for saying that, acting fairly and reasonably, it ought to have asked for more information about Mr H's expenditure based on what it knew or ought to have known at the time of the application.

I'm not persuaded of this. There was nothing in what Mr H had said about his expenditure which was a cause for concern or presented common sense grounds for doubting what he had said. And I don't think his credit history ought to have prompted further investigation of his expenditure either as his explanations on that were plausible. While he'd taken out borrowing in the year or so before this application the purpose of this loan was to consolidate that debt and reduce his monthly outgoings.

Whether or not that was a suitable course of action is a matter for the broker, not the lender. But as far as the lender's obligations are concerned, I don't think the fact that Mr H had taken out unsecured debts (and had recently missed a few payments) which he was now

applying to consolidate was enough to raise concerns about his level of expenditure or the sustainability of how he managed his credit commitments. This is not a case where the credit file information obtained by the lender showed a long history of taking out and consolidating debt, or of taking out substantial volumes of credit, without a plausible explanation for it, suggestive of financial problems.

On balance, therefore, I'm not persuaded that anything in the expenditure Mr H declared on his application, or in his past credit record, ought to have led Central Trust to question the expenditure he'd declared on common sense grounds. It follows that I don't think I can fairly find that it ought to have known about and taken into account the pattern of spending shown on his bank statements as part of its lending decision. It was entitled to rely on what Mr H had told it.

I'm sorry to hear of the difficulties Mr H has had, but Central Trust carried out the affordability assessment it was required to do, and that assessment showed that the loan was affordable for Mr H. In those circumstances, I don't think I can fairly find that Central Trust did anything wrong in lending to him.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 28 November 2025.

Julia Meadows
Ombudsman