

The complaint

Mr I complains that Home Credit Limited ("HCL") lent to him irresponsibly in that it failed to carry out the right checks before lending and if it had, it would have recognised he could not afford the loans.

What happened

Here is a brief table of the lending Mr I took.

Loan	Approved	Amount	Terms	Status
1	February 2024	£200	£13.60 a week	Paid early 27 March 2024
	5 March 2024			declined
2	3 April 2024	£400	£27.20 a week	Paid early
3	2 September 2024	£500	£34 a week	arrears but paid up late May 2025
	2 June 2025			Declined and 90 day moratorium applied

We've been informed that Mr I continues to apply to HCL most recently in September 2025.

After Mr I had complained, and then referred his complaint to the Financial Ombudsman Service, one of our investigators considered the complaint. She did think that more information about Mr I's credit situation ought to have been discovered before lending and having obtained that information she felt that Loans 2 and 3 ought not to have been approved for Mr I. He agreed and HCL did not. The unresolved complaint was passed to me to decide. I have read HCL's submissions.

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 this type of lending - including all the relevant rules, guidance and good industry practice - on our website.

HCL had to assess the lending to check if Mr I could afford to pay back the amounts he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. HCL's checks could've taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr I's income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest HCL should have done more to establish that any lending was sustainable for Mr I. These factors include:

- having a low income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);

- The amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Mr I. As he took three loans only I don't consider this applies here.

HCL was required to establish whether Mr I could *sustainably* repay the loans – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr I was able to repay his loans sustainably. But it doesn't automatically follow that this was the case.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr I's complaint.

Neither HCL nor Mr I appear to disagree with the outcome the investigator reached about loan 1 so I don't consider it to be disputed, and I say no more about it. Instead, this decision will focus on whether loans 2 and 3 ought to have been granted.

I note that Mr I was refused the opportunity to get a further loan in March 2024 but the reason given was because Mr I was in the middle of repaying Loan 1. I consider that reasonable but still would have conveyed a message to HCL as to Mr I's needs.

For Loan 2, HCL obtained payslips and so I am satisfied that it had the right information about his income. I consider that the Office for National Statistics (ONS) figures combined with the declared sums presented by Mr I on application likely were reasonable and proportionate.

HCL has said in its final response letter which we have – '*The completed credit search we perform shows us only public information and you had no active Debt management schemes or CCJ and therefore passed the credit requirements.*'

I do understand why our investigator considered that the credit searches presented to us were not good enough as its not necessarily the case that an individual has the means and cash to repay a loan just because he has no judgment debts or has no insolvency data recorded. And although the loan Mr I applied for before he had finished repaying Loan 1 was not allowed to proceed – for the right reasons – it does highlight the fact that despite earning a decent salary – around £2,360 a month after tax – still he was wanting more cash from HCL so quickly.

I do consider that getting more information about Mr I's recent debt management and his current and relatively recent debt situation was important and would have been proportionate at Loan 2. Mr I had wanted more cash quickly and then had asked for double what he'd obtained at Loan 1 when he applied for Loan 2.

Added to which HCL knows the market base to which its customers usually come from – people who have had adverse data on their credit file in the past. And not to know what that data was does lead me to think that this was a significant gap in the creditworthiness assessment before advancing Loan 2 which – with interest - was effectively £680.

I have reviewed the credit search for Mr I provided by him and I accept that Mr I was showing recent signs of not managing his money. He had received several defaults and relatively recently, which usually follow many months of being in arrears on accounts. My

view on Loan 3 is much the same for the same reasons. The investigator was correct to think that Loans 2 and 3 ought not to have been approved. I uphold the complaint.

Putting things right

Each of the loans have been repaid. HCL should refund the interest and charges Mr I paid on Loans 2 and 3 plus it should add additional interest* at 8% (simple) from the date the payments were made to the date of settlement.

Mr I's credit file should be amended to remove any adverse credit data for Loans 2 and 3.

* HM Revenue & Customs requires HCL to take off tax from this interest. It should give Mr I a certificate showing how much tax it's taken off if he asks for one.

I've considered whether the relationship between Mr I and HCL might have been unfair under section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed should be carried out for Mr I results in fair compensation for him in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

My final decision is that I uphold the complaint in part and I direct that Home Credit Limited does as I have outlined in the 'putting things right' part of the decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 16 December 2025.

Rachael Williams
Ombudsman