

The complaint

Mr M complains Gracombex Ltd trading as The Money Platform ('Gracombex') didn't carry out a proportionate affordability check before it approved him for a loan. Had better checks been made than Gracombex would've seen he was in financial difficulties. Mr M also says at the time he was vulnerable.

What happened

Mr M was granted one loan of £250 in November 2022. This was due to be repaid through three monthly payments of £139.33, £120.66 and £102.01. Had Mr M repaid the loan in line with the credit agreement he would've repaid a total of £362. Mr M has said he's currently repaying this loan through a debt management plan.

Following Mr M's complaint, Gracombex explained why it had carried check which were proportionate and showed the loan was affordable. However, Gracombex, as a gesture of goodwill – agreed to only collect the capital that was lent and then once repaid it would remove the loan from the credit file.

The complaint was referred to the Financial Ombudsman where it was considered by an Investigator and didn't uphold the complaint. Mr M disagreed with the outcome saying, in summary:

- At the time Mr M's rent was £550 but some of it was covered by benefits and so he had to pay £88 per month and this should've been checked.
- Gracombex accepted he paid £88 and so incorrectly calculated the disposable income and should've verified this – it wasn't reasonable to rely on statistical averages.
- At the time Mr M had several short-term loans, defaults and accounts that were in arrears – which would've showed signs of financial distress and should've led to further checks.
- Mr M provided details of his vulnerability and the impact this has on his time management and decision making. Gracombex had a duty to identify and respond to potential vulnerability – even when it's not declared.
- Mr M provided copy bank statements, benefit statements and his credit report.

As no agreement could be reached the case was then passed to an Ombudsman to make a decision about the complaint.

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.

Gracombex had to assess the lending to check if Mr M could afford to pay back the amount

he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Gracombex'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 M'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 Gracombex should have done more to establish that any lending was sustainable for Mr M. These factors include:

- Mr M 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);
- Mr M 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);
- Mr M 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 M. The Investigator didn't consider this applied in Mr M's complaint considering only one loan was advanced and I would agree.

Gracombex was required to establish whether Mr M could sustainably repay the loan – 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 M was able to repay his loan sustainably. But it doesn't automatically follow that this is the case.

Gracombex says it only lent to Mr M after it took details of his income, expenditure and carried out a credit search. The results of its checks indicated Mr M would be in a position to afford his loans. Whereas, Mr M says the loan wasn't affordable for him due to his financial difficulties and his vulnerability.

For this loan, Gracombex was told Mr M received a monthly income of £2,000. It looks like Gracombex went about trying to cross check this income the results of which suggested that what Mr M had declared was accurate. For a first loan this is a proportionate check.

In terms of outgoings, Gracombex says it took details from Mr M about his rent – which he declared was £88 per month and then it used the credit search results as well as using monthly expenses data taken from the Office of National Statistics (ONS).

Although Mr M declared rent of £88 – Gracombex round this up to £100 and to that it added the ONS living payment of £623 plus the amount of credit commitments that it worked out to be £344. This left Mr M (after the loan payment) of just under £1,000 per month. It was therefore reasonable for Gracombex to conclude the loan was affordable for Mr M based on a proportionate check.

Mr M has however, said further checks were needed into his rent figure. Mr M has confirmed that at the time he had to pay £88 per month for rent but the rest of the rent was topped up by benefits.

Gracombex undertaken further checks into his rent then I see no reason why it wouldn't have discovered what Mr M says is correct – the rent he had to pay was £88 per month. And I'd have not expected at this time for Gracombex to automatically decline the application

because some of Mr M's rent was being paid by benefits – because that wouldn't be fair either.

I've also considered whether this ought to have led Gracombex not to rely on statistics averages – which are permitted under the regulations and I don't think it would've done. The rent Mr M declared was accurate and given the rest of the information Gracombex obtained there wasn't anything else to suggest that Mr M expenditure was significantly higher than the figures used. Taking the circumstance of this complaint, I do think it was reasonable for Gracombex to have used statistical averages and not verified Mr M's outgoings.

Before this loan was approved Gracombex also carried out a credit search, and it has provided the Financial Ombudsman with a copy of the results it received from the credit reference agency. I want to add that although Gracombex carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard.

Therefore, it's possible that the information Gracombex received may not entirely reflect the information Mr M may be able to see in his own credit report. There could be for a number of reasons for this, such as Gracombex only asking for certain pieces of information. But what Gracombex couldn't do, is carry out a credit search and then not react to the to the information it received – if necessary.

Gracombex was also entitled to rely on the information it was given by the credit reference agency. So, I've looked at the results to see whether there was anything contained within it that would've either prompted Gracombex to have carried out further checks or possibly have declined Mr M's application.

Superficially, Gracombex knew that Mr M's total indebtedness at the time stood at just over £5,470 – which isn't a great deal of debt compared to his income. Mr M didn't have any County Court Judgements, missed payments, insolvencies and only one defaulted which had been recorded 66 months prior to the loan application.

Given the age of the default, it was entirely fair and reasonable for Gracombex to not have placed a significant amount of weight on it when determining whether Mr M was likely having problems repaying his loan.

It doesn't appear that Gracombex was aware of Mr M's bankruptcy – because it only asked whether there had been any insolvencies within the last three years. I know the bankruptcy was completed in April 2018. But for the same reasons as the default – had it known about it then the event occurred too long ago to have given it any cause for concern or which suggested Mr M was currently having financial difficulties.

Finally, I've thought about what Mr M has said about his vulnerabilities and his decision making at the time. I do hope things have improved for him since the loan was approved. In saying that, why Mr M was vulnerable at the time, for me to be able to uphold this part of the complaint I would have to be satisfied that either Gracombex knew of Mr M's vulnerabilities at the time, or it had a reason to suspect that Mr M may have been vulnerable at the time.

As far as I can see Gracombex wasn't told about the vulnerabilities at the time and I also don't think there is anything from the proportionate check that it carried out which may have suggested that Mr M was vulnerable in some way and so would've led to further questioning. I'm sorry to disappoint Mr M on this point, but I don't think what Gracombex knew about him at the time would've suggested he was vulnerable.

Having reviewed the circumstances of the complaint, I'm satisfied, given the income declared and what the credit commitments show that Gracombex made a fair lending decision and I do not uphold Mr M's complaint.

I understand that the offer Gracombex previously made in the final response letter has been withdrawn – of course it has an obligation to treat Mr M fairly and with forbearance and so Mr M may want to speak to Gracombex to see whether there is anything else it can do to assist him.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Gracombex lent irresponsibly to Mr M or otherwise treated him 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

For the reasons I've explained above, I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 11 March 2026.

Robert Walker
Ombudsman