

## The complaint

Mr C complains that Skyline Direct Limited (“Skyline”) provided him with loans he couldn’t afford to repay and Skyline would’ve known that had it carried out proportionate checks.

## What happened

A summary of Mr C’s borrowing can be found below.

loan number	loan amount	agreement date	repayment date	loan term (weeks)	weekly repayment
1	£600	01/06/2022	22/03/2023	45	£21.33
2	£400	18/11/2022	31/05/2023	30	£20
3	£600	29/03/2023	05/11/2023	45	£21.33
4	£400	09/06/2023	03/11/2023	30	£20
5	£1,200	22/11/2023	15/08/2024	45	£42.66

The repayment per loan is the cost per loan, where loans overlapped the cost would be greater. For example, when loans 1 and 2 were running at the same time the cost per week to Mr C was £41.33.

Skyline considered Mr C’s complaint, and it didn’t uphold it, unhappy with this response, Mr C referred the complaint to the Financial Ombudsman. The complaint was then considered by an Investigator, who upheld the complaint about loans 4 and 5 because by these loans Skyline needed to verify the information Mr C had provided. Had better checks been made Skyline would’ve discovered these loans were unaffordable.

Mr C acknowledged the assessment but Skyline didn’t respond to the assessment nor any of the Investigator’s chasers. As no agreement could be reached the case has been passed for 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.

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.

Skyline had to assess the lending to check if Mr C 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. Skyline’s checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr C’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 Skyline should have done more to establish that any lending was sustainable for Mr C. These factors include:

- Mr C 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 C 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 C 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 C. The Investigator didn't consider it applied to Mr C's complaint, and I also agree with this.

Skyline was required to establish whether Mr C 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 C was able to repay his loans sustainably. But it doesn't automatically follow this is the case.

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

### **Loans 1 - 3**

The Investigator didn't uphold these loans and neither Mr C nor Skyline has disagreed with the findings. As such, these loans are no longer in dispute, and I won't look at them in this decision. Instead, this decision I'll focus on loans 4 and 5.

### **Loans 4 and 5**

Skyline carried out exactly the same checks before these loans were granted as it had done so for the others. This time Mr C declared an income of no more than £345 per week. Skyline's application data shows that it saw some proof of Mr C's income, but it hasn't explained what it saw.

Skyline also made some enquires with Mr C about his outgoings, which were no more than £283 per week. But to this it also says it applied a further £25 weekly buffer to cover any unexpected expenditure.

Credit searches were also carried out, and Skyline has only been able to provide the most basic of information it received. Having reviewed what it was provided with, there wasn't anything that would've been of concern to Skyline – there were no defaults recorded. And while there had been a missed payment shortly before loan 5, Skyline says it saw evidence that this missed payment had been paid.

However, while Skyline's checks may have shown the loans were affordable, I don't think the checks went far enough. Mr C had been indebted for a year by loan 4 and he was further extending that by another 30 weeks. Loan 3 was still outstanding and loan 4 was taken only 9 days after loan 2 had been repaid.

By the time of loan 5 – Mr C's indebtedness was increasing for a further 45 weeks, it was his largest loan to date and was taken around two weeks after he had settled two previous

loans. This constant need for credit ought to have led to Skyline considering whether the checks it were conducting were proportionate given Mr C's borrowing history.

I do think by the time of both loan 4 and 5 Skyline ought to have been verifying all of the information it was being provided with in order to understand what Mr C's actual living costs were. To be clear, just because I think further checks were needed from loan 4 was approved, that doesn't automatically lead to the complaint being upheld. After all it's entirely possible that had Skyline made further checks it would've shown the loans were affordable.

Skyline could've gone about carrying out further checks a number of ways, it could've asked more detailed questions, it could've obtained copy bills, other necessary documentation or it could've asked to see Mr C's bank statements.

I accept had Skyline conducted proportionate checks it may not have seen all the information that I have seen. But, in the absence of Skyline conducting a proportionate check I do think it's entirely fair and reasonable to consider the bank statements that I now have access to.

Had Skyline carried out further checks it would've seen that neither of the loans were affordable. While Mr C's average monthly income was a little higher than Skyline was told that didn't make the loans affordable. This is because, Mr C's monthly outgoings including payments for housekeeping / bills and his existing credit commitments already came to his monthly income and as such there wasn't anything spare to be able to afford the weekly commitment to Skyline.

This is mainly because Mr C had housekeeping costs of at least £550 per month – although these seemed to have increased by loan 5 and his existing credit commitments and direct debits were at least £1,000 per month.

In my view, had Skyline undertaken more detailed checks to verify Mr C's finances it would've seen he didn't have any spare capacity to take on loans 4 and 5 and so these loans shouldn't have been granted.

I am therefore upholding Mr C's complaint about loans 4 and 5 only.

Finally, I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr C 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.

### **Putting things right**

Skyline shouldn't have given Mr C loans 4 and 5.

- A. Skyline should add together the total of the repayments made by Mr C towards interest, fees and charges paid towards these loans.
- B. To this it should calculate 8% simple interest\* on the individual payments made by Mr C which were considered as part of "A", calculated from the date Mr C originally made the payments, to the date the complaint is settled.
- C. Skyline should pay Mr C the total of A plus B.
- D. It should remove any adverse information reported to the credit reference agencies about loans 4 and 5.

\*HM Revenue & Customs requires Skyline to deduct tax from this interest. Skyline should give Mr C a certificate showing how much tax it has deducted if he asks for one.

### **My final decision**

For the reasons I've outlined above, I am upholding Mr C's complaint in part.

Skyline Direct Limited should put things right for Mr C as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 10 March 2026.

Robert Walker  
**Ombudsman**