

Complaint

Mr W has complained about a loan Plata Finance Limited (“Plata Finance”) provided to him. He says the loan was unaffordable and so shouldn’t have been provided to him.

Background

Plata Finance provided Mr W with a loan for £8,000.00 in August 2024. This loan had an APR of 34.9%, total interest, fees and charges of £2,765.92 and this meant that the total amount of £10,765.92 was to be repaid in 24 monthly instalments of £448.58. The purpose of the loan at the time of the application was recorded as debt consolidation.

One of our investigators reviewed what Mr W and Plata Finance had told us. And he thought that Plata Finance hadn’t done anything wrong or treated Mr W unfairly. So he didn’t recommend that Mr W’s complaint be upheld.

Mr W disagreed and asked for an ombudsman to look at his complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr W’s complaint. I’ll explain why in a little more detail.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr W’s complaint.

Plata Finance needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Plata Finance needed to carry out proportionate checks to be able to understand whether Mr W could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Plata Finance says it agreed to Mr W’s application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked Mr W’s declaration of income against information from credit reference agencies on the amount of funds going into his main bank account each month and his expenditure against a credit search it carried out.

In Plata Finance's view all of this information showed Mr W could afford to make the repayments he was committing to.

On the other hand, Mr W has said he should never have been provided with this loan because of his existing financial position.

I've carefully thought about what Mr W and Plata Finance have said.

The first thing for me to say is that Plata Finance didn't simply accept an over-optimistic declaration of monthly disposable income at face value. Plata Finance checked Mr W's declaration with information from credit reference agencies. Equally, while the credit searches did show that Mr W had some existing debts, the intention was for Mr W to clear some of his existing commitments with the proceeds of this loan.

Mr W would have been in a better position had he used this loan to consolidate his existing debts in the way he said he was going to. So I'm satisfied that it was reasonably entitled to believe that it wouldn't be increasing Mr W's existing indebtedness in a way that was unsustainable or otherwise harmful.

It's also worth pointing out that the information Plata Finance obtained does appear to show that he did have the funds, at the time at least, to sustainably make the repayments due under this agreement. Equally, Mr W would have even more left over provided he consolidated his debts in the way that he said he would.

It is possible that Mr W may not have cleared his existing balances with this loan, or ended up re-establishing balances on some of his credit accounts. But Plata Finance can't know that this would have happened. Ultimately, Plata Finance needed to make a reasonable decision based on the information it had available at the time.

In my view, all Plata Finance could do was take reasonable steps to ensure the payments would be affordable for Mr W. And as Mr W didn't have a history of failing to consolidate debts as he said he would here, I think Plata Finance was reasonably entitled to believe the funds would be used for the stated purpose.

In reaching my conclusions, I've also thought about what Mr W has said about his circumstances and the fact that Plata Finance used statistical data for part of its assessment. I'm sorry to hear that Mr W was struggling financially and that he found it difficult to repay his loan. But Plata Finance could only make its decision based on the information it had available at the time.

Given the regulator's rules do permit a lender to rely on statistical data when determining whether to lend to a prospective borrower and there wasn't anything to suggest that Mr W's circumstances fell outside the profile of the average borrower, I don't think that it was unreasonable for Plata Finance to rely on such information in this instance.

As this is the case, I don't think that Plata Finance did anything wrong when deciding to lend to Mr W – it carried out reasonable and proportionate checks which suggested that Mr W wouldn't have difficulty making his payments to this loan. Furthermore, if he consolidated his debts like he said he would do, Mr W would actually have been left in a better financial position.

In reaching my conclusions, I've also considered whether the lending relationship between Plata Finance and Mr W might have been unfair to Mr W under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Plata Finance irresponsibly lent to Mr W or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, I don't think that Plata Finance treated Mr W unfairly or unreasonably in its dealing with him on this loan. And I'm not upholding Mr W's complaint. I appreciate this will be very disappointing for Mr W. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 3 February 2026.

Jeshen Narayanan
Ombudsman