DRN-6096811

The complaint

Mrs H complains that Plend Limited was irresponsible in its lending to her.

What happened

Mrs H was provided with a £10,000 loan by Plend in April 2025. The loan term was 48 months, and Mrs H was required to make monthly repayments of £286.79. Mrs H said that adequate checks weren't carried out before the loan was issued, and that had they been, Plend would have realised she already had a high level of credit and debt utilisation. Mrs H said she has needed to borrow from one lender to repay another and that this situation has had a detrimental impact on her mental health.

Plend issued a final response to Mrs H's complaint dated 19 June 2025. It said that it used open banking data and carried out a credit check and based on this the loan was affordable. It noted the intended use of the loan was debt consolidation and so the Plend loan wouldn't have increased Mrs H's existing debts.

Mrs H referred her complaint to this service.

Our investigator thought that further checks should have been carried out before the loan was issued. However, she found that had these happened the loan would have been found to be affordable for Mrs H.

Mrs H didn't agree with our investigator's view. She thought it contradictory that our investigator had said the checks carried out by Plend weren't proportionate but went on to say that based on the information provided the lending decision wasn't unaffordable or unsustainable.

Our investigator responded to Mrs H's comments but as these didn't change her view, and a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a decision.

My provisional conclusions

I issued a provisional decision on this complaint the details of which are set out below.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the loan was provided, Plend asked Mrs H about her employment and income and the purpose of the loan. Mrs H said she was employed full time with an annual income of £36,950 and intended to use the loan for debt consolidation and recorded the debts she *intended to repay. Plend accessed open banking data and so was able to verify Mrs H's income and expenses and also carried out a credit check.*

The credit check showed that Mrs H had a large amount of existing credit. Mrs H had five credit card accounts with balances totalling over £18,000 as well as loans with balances exceeding £36,000. Mrs H also had two mortgages with the second mortgage taken out around a year before this loan application. While Mrs H appeared to be managing her existing credit – with no defaults or county court judgements recorded – and I note the intended use of the Plend loan was debt consolidation, I think it was important given the size of the Plend loan and the high level of Mrs H's existing credit commitments for Plend to ensure it had a clear understanding of Mrs H's financial circumstances before lending.

Plend had access to Mrs H's bank accounts through open banking. This showed her receiving a higher monthly income than would be calculated from the annual income she declared in the two months immediately prior to the application. I think it would have been reasonable for Plend to have asked about this to check that it had an accurate income figure for Mrs H to ensure the loan repayments would be sustainably affordable over the loan term.

As I think that Plend should have asked further questions before agreeing the loan, I have considered the additional information that Mrs H has provided in regard to her income at the time to help assess what further questions would likely have identified.

Mrs H has explained that she received extra pay in the two months leading up to the loan application because of an annual bonus and additional overtime payments. She has explained the overtime was due to a specific issue that her employer needed to resolve and so I do not think it reasonable that this, or the annual bonus, should be included in her regular monthly income. Based on Mrs H's payslips, her monthly base salary at the time of the application was around £3,000 which is in line with the annual gross income figure she declared. Having looked through the open banking data for the 12 months leading up to the application this supports Mrs H's income being around £2,500 apart from the two months immediately preceding the application. Therefore, in this case, I think a net monthly income figure of around £2,500 from her employer would have been reasonable. Additional to this income, Mrs H received child benefit of around £102 a month. She also received ad hoc income from friends for work she did and from renting her drive. While I have considered this, as it wasn't regular income I haven't included it in the affordability calculation. Based on the evidence I have seen, I think a regular net income of around £2,600 was reasonable.

Mrs H had a large amount of existing credit, but she had taken out this loan to consolidate her debts and had provided details of the debts she intended to repay. Therefore, I think it fair that Plend accepted Mrs H would use the loan for this purpose and that this would be factored into the assessment. Based on Mrs H repaying the debts she declared she would, she would be left with her existing loan repayments and around £8,000 of credit card debt. This would give credit repayments of around £1,250 a month (excluding the Plend loan repayments). This was around 48% of Mrs H's net monthly income and adding in the Plend repayments, this increased to almost 60% of her income. This is a high amount and could potentially suggest that the loan repayments would be unsustainable for Mrs H. Therefore, it was important to understand Mrs H's other expenses to see whether these were such that she would be left with a reasonable disposable income after the repayments to allow for any unforeseen expenses.

Mrs H's combined repayments for her mortgages were around £1,080 a month. The open banking data showed she made transfers to her joint account of between £1,200 and £1,400 in the three months leading up to the application which were labelled mortgage payments. In the months preceding this she made similar sized monthly transfers to the joint account. Therefore, I think it reasonable that Mrs H's housing costs were recorded by Plend as *around £1,300. Deducting this and her credit repayments (including the Plend loan repayments), from her net income of around £2,600, would result in Mrs H having negative income.*

So, while I note that Mrs H did have a higher income figure in the months leading up to this loan application, as this wasn't a sustained higher income, I think a lower income figure should have been used, and based on this I do not think the Plend loan should have been considered affordable (even taking the consolidation into account). I appreciate Mrs H also had other ad hoc income, but I do not think this was such that it changes my view that Plend should have been concerned that the lending wouldn't be sustainably affordable for her over the loan term.

Therefore, I intend to uphold this complaint.

I've also considered whether Plend acted unfairly or unreasonably in some other way given what Mrs H has complained about, including whether its relationship with Mrs H might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed results in fair compensation for Mrs H in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Plend didn't agree with my provisional decision. It said that based on Mrs H's declared annual income she would receive a net monthly income of around £2,510. However, her open banking showed higher income figures as well as regular transfers into her account. It said that taking this into account she would be left with disposable income of £534 (even if the transfers weren't included) which it said showed the loan to be affordable. Plend further noted that while a figure of £1,400 for housing costs was used, the mortgage was in joint names and so it could have used £700 as Mrs H's contribution.

Plend noted that reference had been made to a debt-to-income figure and said that there wasn't a rule about this and so it wasn't relevant to say that a certain figure would make the lending unsustainable. Plend noted that the loan was intended for debt consolidation and would improve Mrs H's financial position. It said there was no foreseeable harm from the lending and reiterated that the loan was affordable.

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.

In response to my provisional decision, Plend challenged that the approach taken could suggest I was acting as a pseudo regulator by suggesting rules outside of those set out in the regulations. In light of this I want to confirm that my role isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead, this service looks to resolve individual complaints between a consumer and a business. When making my decision I take all relevant rules, regulations and guidance into account, but my decision is based on what I consider fair and reasonable given the unique circumstances of the complaint. I note the specific point about a debt-to-income ratio and I agree there isn't a set figure that a business is required to adhere to. However, as I set out in my provisional decision, the credit payments were high as a proportion of Mrs H income, and I think this should have raised concerns.

As I set out in my provisional decision the rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

In this case, I noted the checks that were undertaken, including the verification of income and credit check. While the credit check didn't show any defaults or county court judgements and suggested Mrs H was managing her existing commitments, it did show that Mrs H had a large amount of existing credit. Given the size of the Plend loan and the high level of Mrs H's existing credit commitments, I think that Plend needed to ensure it had a clear understanding of Mrs H's financial circumstances before lending. In light of Plend's comments, I have looked again at the income and expenses that would likely have been identified had further questions been asked.

As part of the application process Mrs H declared she was working full time with an annual income of £36,950. This would give a net monthly income of around £2,510. Mrs H's open banking data showed Mrs H's income to be higher than this for the months leading up to the loan application with income of around £3,183 in January 2025, £5,040 in February 2025 and £5,524 in March 2025. Given this is significantly higher than the income Mrs H declared from her employer and noting the variation in the amounts, I think it would have been reasonable to have asked Mrs H about this. Mrs H has explained that she received extra pay in the two months leading up to the loan application because of an annual bonus and additional overtime payments that were due to a specific issue that her employer needed to resolve. I have nothing to suggest that Mrs H wouldn't have provided this information to Plend had it asked (especially noting the salary she had declared). Based on this I think it would have been reasonable to have relied on Mrs H's declared income, or I note Plend's comment about using the lower figure of around £3,183, which I also think would have been reasonable (and I note this is an amount in line with the salary figure on Mrs H's payslip). Additional to her salary, Mrs H was receiving around £102 in benefits.

Plend has noted that there were additional transfers into Mrs H's account. I have looked at these, and several were from another account in Mrs H's name. Mrs H has provided a copy of her savings account, and this shows that the same amount of money was transferred in as was transferred out in the year leading up to this loan and so there were no additional funds in this account. There were other transfers from individuals, but these weren't regular and were generally for small amounts. There were some larger amounts but again these weren't regular and some had the reference 'borrowed'. I further note that while there were transfers in from individuals there were also transfers out to some of the same individuals (including large transfers) which (excluding the transfers to the joint account) largely offset the transfers in. So, while I note the comment Plend has made, I do not think that the transfers in this case should have been considered as additional income.

Mrs H's combined repayments for her mortgages were around £1,080 a month. The open banking data showed she made transfers to her joint account of between £1,200 and £1,400 in the three months leading up to the application which were labelled mortgage payments. In the months preceding this she made similar sized monthly transfers to the joint account. Therefore, I think it reasonable that Mrs H's housing costs were recorded by Plend as around £1,336. I note Plend's comment about being able to halve these amounts due to the mortgage being in joint names, but given the payments were seen going from Mrs H's account for the purpose of housing costs, I think it reasonable that these were accepted as her contribution.

Mrs H's existing credit commitments (based on her repaying the loans she had said she would with this loan) were around £1,250, before the Plend repayments. This would increase to around £1,537 once the Plend repayments were included. Adding to this her housing costs would give costs, before her general living costs of around £2,873. This is a higher amount than Mrs H's income based on her declared income and benefits totalling around

£2,600. Taking Mrs H's salary as £3,183 and adding the benefit of £102 would give an income of around £3,285. Deducting the above costs would leave disposable income of around £412 for Mrs H's other living costs. Based on Plend's analysis of Mrs H's open banking data her other costs for transport, insurance, shopping and other direct debits totalled around £452. This suggests that after the loan repayments, Mrs H would have negative income and nothing for any unforeseen costs. Therefore, I think, on balance, this raises concerns that the loan wouldn't be sustainably affordable for Mrs H.

While I appreciate the comments Plend has made about the reduction in Mrs H's outgoings by using the consolidation loan, this loan committed Mrs H to payments over a 48 month loan term and based on the information I think should have been identified, I do not think this loan should have been considered affordable for Mrs H over its term.

So, for the reasons set out in my provisional decision and the additional reasons noted above, I am upholding this complaint.

Putting things right

As I don't think this loan should have been given, I do not think that Plend should be able to charge any interest or charges under the credit agreement. However, as Mrs H had use of the loan proceeds, I think it fair that she should be required to repay these.

Therefore, Plend should:

- Remove all interest, fees and charges from the balance on the outstanding loan, and treat any repayments made by Mrs H towards the loan as though they had been repayments of the principal loan amount of £10,000.
    - If that means that Mrs H would have made overpayments, then it must refund these overpayments with 8% simple interest* calculated from the date the overpayments would have arisen, to the date the complaint is settled.
    - Alternatively, if there is still an outstanding balance then Plend should try to agree an affordable repayment plan with Mrs H.
- Plend should remove any adverse information recorded on Mrs H's credit file in relation to this loan, once it has been repaid.

*HM Revenue & Customs requires Plend to deduct tax from this interest. It should give Mrs H a certificate showing how much tax it's deducted, if she asks for one.

My final decision

My final decision is that I uphold this complaint. Plend Limited should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 4 March 2026.

Jane Archer
Ombudsman