

The complaint

Mr D complains that Bank of Ireland (UK) Plc was irresponsible in its lending to him.

What happened

Mr D was provided with a loan by Bank of Ireland (UK) Plc (BOI) on 23 April 2019. The amount of credit was £20,000, repayable over 60 months at an interest rate of 9.9% APR with a monthly payment of £419.81.

Mr D complained to BOI, saying it did not complete adequate checks when lending to him. Because his application was for a large loan over five years, and BOI knew he had a poor credit score and would've been in a difficult position, he feels that it should have verified his income and expenses.

BOI investigated Mr D's complaint and said that it used the information Mr D declared at the time of his application together with a credit analysis in order to assess his application. It said that it carried out a full credit check and relied on both internal and external information in determining that the loan was affordable for him.

Mr D's declared income was significantly lower than the detail of his income that was shown in Credit Reference Agency (CRA) checks that they carried out, so BOI used the lower of the two figures, namely the one declared by Mr D, when assessing his application. Additionally, BOI calculated Mr D's housing costs and estimated his other non-discretionary expenditure when assessing the affordability of the loan.

Our investigator didn't think the checks carried out by BOI were proportionate. Given there was a discrepancy between the declared income and the Credit Reference Agency (CRA) data, the investigator thinks this should've prompted further checks.

Our investigator thought, however, that had proportionate checks been carried out, this would not have changed BOI's lending decision and that BOI did not do anything wrong in lending to Mr D as checks would've shown the lending was likely to be sustainable.

Mr D didn't agree. He feels that BOI should have considered other borrowing that he said he had at the time, together with an overdraft and credit card payments. He told our investigator that he had other loans in place at the time of the application, although these were not shown on his credit check undertaken at the time of the lending decision, nor did they show on a more recent credit file supplied by Mr D.

Because an agreement couldn't be reached, the complaint has been passed to me to decide.

I previously issued a provisional decision which said the following:

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

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint. While I have taken into account the relevant laws and regulations, my decision is based on what I consider fair and reasonable given the unique circumstances of this complaint.

As our investigator has explained, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, it just needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

Mr D was provided with a loan of £20,000. Before this, BOI gathered information about his employment, income and outgoings.

Mr D declared a monthly income of around £1,800 but CRA checks indicated a significantly higher net monthly figure. BOI took a cautious approach, however, and relied on the lower figure that Mr D had provided when carrying out its calculations.

BOI calculated Mr D's monthly expenditure based on data from the CRA checks. It calculated his housing costs at £198 per month and discretionary expenditure at £571 per month. I agree with the investigator that the discrepancy in the income figures should have prompted BOI to request supporting evidence, such as payslips, to verify Mr D's actual income in order to ensure that the affordability assessment fully reflected his financial circumstances.

But I also think that BOI should have gone further than this and requested actual figures from Mr D to confirm his financial situation, given the amount and term of credit he was applying for, rather than relying on estimates, and could have asked for further information to check that the figures were accurate. I haven't been able to see clear evidence of how Mr D's housing costs were calculated, and the fact that two different figures were provided to our investigator also gives me cause for concern as to how Mr D's application was assessed.

So, I think that BOI did not carry out proportionate checks when considering Mr D's application.

But, in this circumstance, I have to consider whether reasonable and proportionate checks would more likely than not have shown that he was more likely than not unable to sustainably repay what he was being lent.

For me to consider what reasonable and proportionate checks might have shown, I've looked at Mr D's payslips and current account statements from the six months leading up to the application. This is because it's the easiest way for me to piece together what proportionate checks might have shown had they been carried out.

I have looked at copies of Mr D's payslips from the months leading up to the loan application, supplied by Mr D. From that, I can see that Mr D had an average monthly income at the time of £1,710.75, slightly below the declared income, and well below the CRA figure.

I have gone a step further and also reviewed Mr D's current account statements to give a clearer picture of Mr D's full financial situation. From looking at these, it is clear to me that Mr D had a very significant pattern of gambling.

The current account statements also show that Mr D spends approximately £1,000 per month on his housing costs and bills, leaving him with just £700. I can also see that he had recently taken out another loan with a different provider. The repayments for this are £351 per month, so, even before taking account of Mr D's gambling activity, this means that the repayments of £420 for the loan with BOI were not affordable.

I think that had BOI made proportionate checks when considering Mr D's loan application, it would've seen that the repayments were not affordable. It would have recognised the discrepancy between his actual outgoings and the figures estimated, and realised that there was a high risk that he would be unable to sustainably repay the loan given the size and term of the credit.

I therefore find that BOI was wrong to lend to Mr D.

In reaching my conclusions, I've also considered whether the lending relationship between BOI and Mr D might have been unfair to Mr D under s140A of the Consumer Credit Act 1974.

However, I'm satisfied that what I direct BOI to do in the section below results in fair compensation for Mr D given the overall circumstances of his complaint. For the reasons I've explained, I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

Putting things right

It is reasonable that Mr D repays the capital he borrowed as he has had the benefit of that money. But he has paid interest and charges on a loan that should not have been given.

So, BOI will have to:

- *Refund/remove all interest and charges and treat all repayments Mr D made as repayments of the capital.*
- *If this results in any overpayment, this should be refunded to Mr D along with 8% simple interest (calculated from the date the overpayments were made to the date of the settlement.**
- *If this results in there being an outstanding capital balance, BOI must agree an affordable repayment plan with Mr D.*
- *Remove any adverse information from Mr D's credit file once any outstanding capital balance has been repaid.*

**HM Revenue & Customs requires BOI to take off tax from this interest. BOI must give Mr D a certificate showing how much tax it's taken off if he asks for one. If it intends to use any refund to reduce the capital balance outstanding it must do so after deducting tax."*

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.

Mr D responded to my provisional decision accepting what was said. BOI however didn't agree. It highlighted that Mr D's credit report did not show a new loan that Mr D had obtained at the time of the lending decision and queried whether this would have shown on Mr D's latest three months' bank statements. Having reviewed these, I can see that repayments for a loan with a third party of around £351 were shown on his bank statements for 18 March 2019 and 18 February 2019 so I am satisfied that these would have shown the existing loan if they had been reviewed by BOI at the time of lending.

BOI has also queried whether there was evidence from the current account statements that Mr D's gambling was unsustainable, particularly given the timing of the loan in 2019. At the time of the lending, gambling should still have been factored into disposable income calculations when considering affordability. It also highlighted that Mr D had not mentioned gambling in his complaint but I do not find this relevant because, again, had proportionate checks been carried out, Mr D's gambling would have been picked up by BOI and could have been considered.

I have considered the points raised by BOI information but they do not make a material difference to my decision that there is not sufficient evidence of reasonable and proportionate checks being carried out at the time of the lending. It also does not change my view on the affordability and sustainability of the loan, given the amount and term of the

credit and the low amount of disposable income it left Mr D with once his payments had been made, even before taking account of his gambling activity.

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My final decision

It is my final decision that I uphold Mr D's complaint against Bank of Ireland (UK) Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 24 February 2026.

Hannah Poulton
Ombudsman