

The complaint

Mr T complains that Plata Finance Limited shouldn't have lent to him as the lending was unaffordable. Mr T also says he didn't understand the cost of the credit he was given and Plata used a misleading statement when he was told his loan was 100% pre-approved when he applied.

What happened

Mr T was approved for a loan in December 2024, the loan was for £5,500 for a term of 30 months. Mr T's highest monthly repayment was £245.84.

When Mr T complained to Plata, it didn't uphold any part of his complaint. It said it carried out sufficient checks, and those checks showed Mr T could afford what he was borrowing. It also said the agreement Mr T signed detailed the interest rate and the total amount he'd repay under the agreement. Plata considered Mr T's complaint about misleading information on the loan being 100% pre-approved and said the information on its website explained that pre-approved offers didn't mean the loan was guaranteed and that further checks would be completed which may lead to the loan application being declined.

Unhappy with Plata's response, Mr T referred his complaint to the Financial Ombudsman service where it was looked at by one of our investigators. Our investigator didn't recommend that any part of Mr T's complaint should be upheld. Our investigator thought Plata properly disclosed the cost of credit and the wording wasn't misleading. Our investigator also thought Plata carried out sufficient checks before agreeing to lend and those checks showed Mr T could afford the borrowing.

Mr T didn't agree with the investigator's conclusions. Mr T said proper checks would have revealed he was gambling and Plata didn't do enough before it lent to him.

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.

I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Before lending money to a consumer, a lender should take proportionate steps to understand whether the consumer could repay without borrowing further or suffering significant adverse consequences.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn't set out compulsory checks, they did list aspects a lender could take into account before agreeing to lend. The key thing was that any checks needed to be proportionate and had to take into account a number of different things, including things such as how much was being lent and when what was being borrowed was due to be repaid. A lender should also take into account and react appropriately to what it knew about the consumer at the time it made its lending decision.

When Mr T applied for the loan, he declared that he was single, a tenant and employed. Mr T declared a monthly income of £2,490 and housing cost of £750. Mr T declared monthly credit commitments of around £530 and £50 for other regular expenses.

Plata searched Mr T's credit file and the results showed that Mr T had three defaults recorded. Two of those defaults were more than four years prior to this loan being approved and the third was in 2022, around two years prior to the loan. Two of these defaults were satisfied at the time of lending and the third had a substantially reduced balance compared to the time of default.

While I acknowledge this adverse information, I think given the age of the entries, it wasn't unreasonable for Plata to place less weight on them, especially as two of them had now been satisfied. The rest of the result of the credit check showed Mr T was up to date on his active credit and didn't suggest Mr T was reliant on credit.

Plata says it verified Mr T's declared income through credit reference agencies and has provided information to show that it received a high confidence score that Mr T's income was what he'd declared. Plata also says it used data from the Office of National Statistics (ONS) to estimate Mr T's living expenses although it hasn't provided the figure it used for this estimate.

Mr T's monthly repayment was around 10% of his declared income, the credit search didn't suggest Mr T was in a debt spiral or struggling to manage his credit. Given the disposable income that would have been left after Mr T's rent and credit commitments were deducted, even without the estimate of his living expenses, I think it was reasonable for Plata to conclude that Mr T could afford the loan. Mr T was left with enough to cover reasonable living costs in his circumstances, and I think Plata's checks went far enough.

Plata's checks left Mr T in a position to repay what he was borrowing without suffering further detriment to his finances. In these circumstances, I wouldn't have expected Plata to request bank statements and has acted reasonably when making its decision to lend to Mr T on this occasion.

Mr T has said he was gambling at the time but I'm mindful Plata wasn't made aware of this by Mr T and this wasn't something its reasonable checks revealed.

Did Plata act unreasonably/unfairly in some other way?

Mr T says Plata's wording of his loan being '100% pre-approved' was misleading. I've reviewed the information on Plata's website, and I can see that it explains that pre-approved loans would subject to further checks and could still be declined. In any event, Mr T was approved for the loan, so I don't think that wording had a negative impact on him.

When Mr T applied for the loan, Plata sent him the pre-contract information which had details of the amount he was borrowing, the interest on that amount and the total he was required to repay under the agreement. Following this Mr T signed the credit agreement which also detailed the loan amount, interest and the total repayable under the agreement. Had Mr T misunderstood those key aspects of these documents, I'd have expected him to query it, but I haven't seen any evidence that he did this. So, I don't think Plata has treated Mr T unfairly here as it provided clear information about the terms of the loan.

I've also considered whether Plata acted unfairly or unreasonably in some other way, including whether its relationship with Mr T might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Plata lent irresponsibly to Mr T 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 given above, I do not uphold Mr T's complaint or make any awards against Plata Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 13 April 2026.

Oyetola Oduola
Ombudsman