

Complaint

Mrs Y has complained about a loan Plata Finance Limited (“Plata”) provided to her. She says the loan was unaffordable given her personal and financial circumstances and so shouldn’t have been provided.

Background

Plata provided Mrs Y with a loan for £5,000.00 in October 2023. This loan was due to be repaid in 36 monthly instalments of around £213. One of our investigators reviewed what Mrs Y and Plata had told us. And she didn’t recommend that Mrs Y’s complaint be upheld.

Mrs Y disagreed with the investigator and asked for an ombudsman’s review of her 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.

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 Mrs Y’s complaint.

Plata needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Plata needed to carry out proportionate checks to be able to understand whether Mrs Y 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 says it agreed to Mrs Y’s application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out and all of this information showed Mrs Y could afford to make the repayments she was committing to. On the other hand, Mrs Y has said she shouldn’t have been lent to.

I’ve carefully thought about what Mrs Y and Plata have said.

The first thing for me to say is that Plata didn’t just simply accept what Mrs Y had told it. It not only asked Mrs Y for details of her income, it cross checked her declaration against

information from credit reference agencies on the amount of funds going into her bank account. This suggested that her declaration of income was plausible.

Plata also carried out credit searches which showed that Mrs Y didn't have any significant adverse information – such as defaulted accounts or County Court Judgments (“CCJ”) - recorded against her. Furthermore, the total amount Mrs Y owed wasn't excessive and was being relatively well maintained too.

Having considered all of this information, it seems to me that when Mrs Y's payments to her credit commitments are combined with the statistical data that Plata used to estimate her living expenses and then deducted from her validated income, she did have enough left over to make the repayments to this loan.

I accept that Mrs Y appears to be suggesting that her actual circumstances may not have been fully reflected either in the information she provided, or the information Plata obtained. I've seen what Mrs Y has said about taking out another loan for the same amount around the time of this application. I've thought about what Mrs Y has said and I do sympathise with her position.

However, I also need to take account of the fact that Plata wasn't aware of Mrs Y's other loan. And given the proximity of Mrs Y's other application to this one, I don't think it could reasonably be expected to know about it either. Furthermore, it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the amount of the loan, the Mrs Y having no significant adverse credit information recorded against her, I can't reasonably say that Plata ought to have been aware that there may have been other underlying issues which merited further explanation either.

Equally, while Mrs Y has referred to her overdraft usage, Plata didn't know about her overdraft usage over the years. I also think that it might help for me to explain that proportionate checks wouldn't have extended into obtaining bank statements from Mrs Y. So Plata wouldn't have been aware of any continued overdraft usage.

For the sake of completeness, I would also add that although Mrs Y appears to be arguing that a lender shouldn't lend to a customer that has been using an overdraft, no such prohibition exists in the rules and guidance set out by the regulator. So I don't think the fact that Mrs Y may have been using her overdraft means that Plata shouldn't have lent to her either.

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

However, for the reasons I've explained, I don't think Plata irresponsibly lent to Mrs Y or otherwise treated her 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 did anything wrong when deciding to lend to Mrs Y - it carried out proportionate checks and reasonably relied on what it found out which suggested the monthly repayments were affordable.

As this is the case, I'm not upholding Mrs Y's complaint. I appreciate this will be very disappointing for Mrs Y. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mrs Y's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs Y to accept or reject my decision before 11 May 2026.

Jeshen Narayanan
Ombudsman