

complaint

Mr M complains that Hitachi Capital (UK) Plc didn't carry out affordability checks before accepting his loan application.

background

Mr M applied for a personal loan on 11 June 2015 for the sum of £10,000. On his application Mr M said he was living with his parents, had no mortgage and had an income of £25,000. Mr M's application was accepted following contact with the credit reference agency Experian. This showed that Mr M had a previous loan with Hitachi for £1500. No adverse information was recorded.

Mr M's account fell into arrears in April 2016. In June 2016 Mr M told Hitachi he had registered with Payplan. Hitachi placed Mr M's account on hold for 30 days to await information from Payplan. Nothing was received.

In October 2016 Mr M told Hitachi that Payplan was unable to help him because he could afford to maintain payments. Hitachi agreed a payment plan with Mr M but he didn't manage to keep to it.

Mr M says at the time he took out the loan with Hitachi he had taken out a £9000 loan with another provider the previous month. He says he had two other loans totalling £16,000 in respect of which he had missed payments. He says he had a gambling problem at the time and feels that Hitachi didn't carry out the correct checks. He wants a refund of interest and a payment plan for the outstanding balance.

The investigator didn't uphold the complaint. He said that although Hitachi should have carried out expenditure checks when Mr M applied for the loan, these checks (if carried out) would have shown that the loan was affordable.

Mr M didn't agree. He said that if Hitachi had checked his bank statements it would have seen that he couldn't afford the loan repayments in addition to all of his other liabilities.

my findings

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

Before lending money, a creditor should take steps to ensure that the consumer can afford to pay it back. So I've considered whether Hitachi carried out proper affordability checks in this case. I can see that Hitachi checked with Experian. This check would have provided Hitachi with a credit score based on the information held about Mr M. This information might include current financial commitments (other loans) and settled financial commitments (loans which have been paid off). It would also include details of any financial commitments where payments had been missed or where the account had been defaulted.

In Mr M's case, Hitachi has said that it was satisfied that the information held by the credit reference agency gave no cause for concern and it approved the application on the basis of the credit check and the information provided by Mr M. Hitachi said that it only requests proof of income or carries out affordability checks if it has concerns following the credit

reference agency checks. In this case it appears that an affordability check wasn't carried out.

This is a large loan and although the credit check raised no issues, I think that Hitachi should have carried out an affordability check to satisfy itself that Mr M could afford the loan repayments. An affordability check would have required Mr M to provide details of his income and expenditure to Hitachi.

Hitachi already had details of Mr M's income. I've considered the information which would have been made available to Hitachi if it had asked Mr H about his expenditure. I've been able to do this based on what Mr M has told this service and also from looking at Mr M's bank statements.

I can see from Mr M's bank statements that he was receiving approximately £1,566.00 per month from his employment. Mr M has told this service that he paid rent to his mother of approximately £200 and spent approximately £250 per month on food.

I've looked at Mr M's bank statements to see what other regular payments he was making. Regular payments mean payments which Mr M is committed to making every month. I can see that Mr M was making regular payments of approximately £737.00 every month for other loan repayments and a mobile phone contract.

The Hitachi loan repayments were £239.42. Based on the figures above, Mr M had surplus income of approximately £379 per month before this loan repayment. So I'm satisfied that the loan was affordable.

I can see that Mr M doesn't agree with the assessment of his outgoings. He's provided a breakdown of his expenditure over a period of one month May/June which includes a large payment of £203.22 to Zopa. But looking at his statements over a longer period of March/April/May, I can see that the regular payments to Zopa were £35.00 per month. Mr M has also said that he used some of the Hitachi loan to pay off other loans. This would have reduced his monthly expenditure still further, the effect of which would be to make the Hitachi loan more affordable.

I appreciate that Mr M had a gambling problem at the time but there's no evidence that he made Hitachi aware of this problem at the time of his application – and it's not reasonable to expect a lender to ask every applicant for a loan whether they have gambling problem as part of the credit and affordability checks.

In conclusion, and whilst I think that Hitachi should have looked at Mr M's income and expenditure as part of its affordability checks, I'm satisfied that had these checks been carried out and had Mr M provided details of his regular outgoings, the result would have been the same and the loan would have been advanced. This is because the information shows that Mr M was able to afford the loan repayments.
For the reasons given I won't be asking Hitachi to refund interest.

my final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 16 May 2018.

Emma Davy
ombudsman