

## **complaint**

Mr M complains that UK Credit Limited shouldn't have granted him a loan as it was unaffordable. He's also unhappy about the amount he's been repaying on the loan and the amount of interest.

## **background**

Mr M took out a loan with UK Credit in December 2012 for £3500. The amount repayable was £6348.24 over 36 months at £176.34 per month. After 18 months Mr M asked, and was approved, for a top up to his loan of an additional £2000. The new outstanding balance in June 2014 was £4480 and the term was extended to 48 months with a payment of £185.58 per month. But Mr M says that Credit UK were wrong to lend him the money as he couldn't afford the repayments and he was struggling with a gambling addiction.

Credit UK performed several checks to make sure Mr M could afford the loans he asked for. They say they:

- asked for a wage slip and bank statement to confirm Mr M's salary
- asked Mr M to detail his outgoings including food, clothes, rent, bills, phone, travel and leisure
- performed a credit check with a credit reference agency and noted other debts

Credit UK says that, having performed these checks, they established that Mr M had sufficient disposable income and that's why they allowed the loans to proceed. They say that Mr M's failure to keep up with the payments happened as a result of a change of circumstances when he changed employment and that they couldn't have foreseen this.

But Mr M disagreed and he asked our service to take a look. Our adjudicator thought that Credit UK had done enough to satisfy themselves that the loans were affordable and she didn't think Credit UK had done anything wrong. She also noted that Credit UK couldn't have been expected to take Mr M's gambling addiction into account as they hadn't been told about it.

But Mr M disagreed. He asked for this review and he also said that he thought he was paying too much for the loan.

## **my findings**

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

Whilst I know Mr M will be disappointed, I'm afraid I agree with the adjudicator's view and for the same reasons.

I think Credit UK performed reasonable and proportionate checks to make sure Mr M was able to repay the loans he was applying for. They checked with the credit reference agency and identified other borrowings and they made sensible and detailed enquiries to clarify that Mr M's income was what he said it was. They thoroughly analysed Mr M's disposable

income and having done so I can see that they it looked likely that Mr M could afford the repayments. And indeed he made full payments until his job change three months later so I don't think they were irresponsible to lend him what they did.

I've also looked at the charges UK Credit applied. I can see that when the extended loan was taken out the total amount repayable, the interest and charges were clearly set out. The total amount payable on the loan was £8,907.94 and I see that having settled the account in 2016, Credit UK wrote off the final £631.53. So I think Credit UK had made the agreement clear to Mr M and that he'd paid less than what he'd agreed to pay.

I think the interest rate reflected Credit UK's perception of the risk involved in lending Mr M the money. That is an exercise of its legitimate commercial judgment and not something I can reasonably interfere in. I'd expect a loan that required a guarantor to be one that carried a higher degree of risk to the lender and, having clearly explained the requirements to Mr M, I don't think Credit UK mislead him and I won't be asking them to take any further action.

### **my final decision**

For the reasons given above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 24 August 2017.

Phil McMahon  
**ombudsman**