

## **complaint**

Mr G complains that it was irresponsible for UK Credit Limited to have lent to him.

## **background**

Mr G signed a fixed sum loan agreement with UK Credit in January 2016. The loan was for £7,500 over four years with interest of £6,012 and monthly payments of £281.50. The loan was guaranteed by Mr G's partner. Mr G complained to UK Credit in June 2017 and said that it lent to him irresponsibly, it didn't conduct the appropriate checks at the time of lending and its lending practices didn't adhere to FCA guidelines. He wasn't satisfied with its response so complained to this service.

The adjudicator didn't recommend that this complaint should be upheld. He said that UK Credit had provided information to show that it verified Mr G's income, asked him to confirm his monthly expenditure and carried out a credit check to see his monthly credit outgoings. So he concluded that it made proportionate checks before lending to Mr G which showed that the repayments were affordable. And he said that the purpose of the consolidation loan was to break Mr G's reliance on short term credit so it wasn't unexpected that the credit check showed short term lending. And most of the loan was used to reduce Mr G's monthly outgoings which he said showed that the consolidation loan worked as it should've done.

Mr G has asked for his complaint to be considered by an ombudsman. He says, in summary, that:

- he believed that he could clear more of his debt than was possible (and that should've been picked up by UK Credit);
- he had four credit cards outstanding – and he wasn't able to clear all of those balances so was left with two credit cards and a store card with minimum monthly payments of at least £108 and another £175 payable each month to another lender – which shows that the loan wasn't affordable;
- his expenditure was spread across his bank account, credit cards, cash from gambling and his partner;
- the expenditure information that UK Credit was given was clearly wrong and the correct information would've been available to it through proper credit checks; and
- he's been advised that consolidation of multiple high cost short term loans into a high-cost variant, such as a guarantor loan, was highly irresponsible by the lender.

## **my findings**

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

A lender is required to make proportionate checks about the affordability of a loan before lending to a customer. What is proportionate for each loan will depend on the circumstances of that loan. UK credit says Mr G advised it that his monthly income averaged about £1,278 and that it verified that amount by an electronic check of his current account. It says that it assessed his outgoings and that Mr G confirmed his average monthly expenditure. And it says that it calculated his average monthly surplus (after making the loan repayment) as £138.73.

Mr G had said that the purpose of the loan was to consolidate his short term loans and UK Credit asked him for details of those loans. Mr G provided it with information about some of his loans – but despite being asked whether he had other loans he didn't tell it about all of his loans. I consider that the information that it gathered about Mr G was proportionate in the circumstances. I'm not persuaded that there was any need for it to have obtained more information about Mr G's financial circumstances. And I don't consider that there was any need for it have obtained a credit report about Mr G.

On the basis of the information that it had gathered, it made an affordability assessment which showed that Mr G had enough disposable income to be able to afford the loan. That assessment didn't include Mr G's partner's income. The affordability assessment didn't include the repayments that Mr G was making on all of his loans because he hadn't provided that information to UK Credit. And Mr G's partner guaranteed that he would make the loan repayments. So I'm not persuaded that it was irresponsible for UK Credit to have made the loan to Mr G in these circumstances or that it has acted incorrectly. And I find that it wouldn't be fair or reasonable for me to require UK Credit to cancel the loan, pay any compensation to Mr G, release his partner from the guarantee or to take any other action in response to his complaint.

Mr G's evidence shows that he's now suffering financial difficulties. UK Credit must act positively and sympathetically in response to any financial difficulties that he's experiencing. And I would expect it to try to agree a repayment arrangement with Mr G for the outstanding balance of the loan, which takes account of his income and expenditure.

### **my final decision**

For these reasons, my decision is that I don't uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 26 March 2018.

Jarrold Hastings  
**ombudsman**