

## **complaint**

Mr W says Penny Post Credit Union Limited lent him money it should have known he couldn't afford to pay back.

## **background**

In November 2015 Mr W took out a loan with Penny Post for £2,000 which he said was for Christmas and other living expenses. This was to be repaid over a period of three years at around £78 a month.

Our investigator thought Penny Post had carried out reasonable checks before lending to Mr W. It used the addresses he supplied to carry out a credit check and asked for supporting information before deciding to lend. And although it appeared Mr W did have other loans he hadn't told Penny Post about these. She didn't think any of the information it did have indicated it shouldn't lend to Mr W.

Mr W didn't agree. He said if Penny Post had asked for bank statements it would have seen he had taken out other loans and was regularly applying for top up loans. The statements would also have shown he was often exceeding his overdraft and had taken out pay day loans. So I need to reach a final decision.

## **my findings**

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

Penny Post had a responsibility to check Mr W could afford to repay his loan in a sustainable way. There's no set list of checks it had to carry out but they needed to be proportionate to his circumstances – taking into account things like the monthly repayments, the term of the loan and what Mr W told it.

In his application Mr W said his income was £410 a week (which included £150 from casual work). He said his expenses were £245 a month. He provided a pay slip which supported the information he'd provided about his basic salary. And he said he didn't have repayments to other loans or credit cards. Based on the information he provided that suggested he'd have been able to manage the repayments for this loan relatively comfortably. Even if the casual work Mr W included on his application (which he didn't provide further evidence of) hadn't been taken into account I think he'd still have been able to afford the loan.

I also note Penny Post carried out a credit check using the address information Mr W provided as part of his application. That didn't show any adverse credit history. Mr W has provided a credit report which contains different information. However, the adverse details are registered against different addresses to those he provided to Penny Post and didn't show on the credit check it carried out.

I appreciate one of the addresses is nevertheless similar to one he did provide to Penny Post. It's possible there's been some confusion here. But looking at the information registered against that address at the time of application and, given the other details Mr W provided to Penny Post, I'm not sure it would have affected its decision to lend even if had been aware of this. In any case Penny Post carried out its check based on the address information Mr W provided.

In addition Mr W told it he wasn't making any other loan or credit repayments. I appreciate his pay slip did show deductions to other credit unions. But I don't think it would have been clear to Penny Post these were for loans as they could have been for savings plans. And looking at the level of the payments compared with the information Mr W provided about his income and expenses I don't think they'd have meant this loan was unaffordable for him in any case.

Mr W says if Penny Post had asked for his bank statements it would have seen that he did have additional borrowing and was using his overdraft. But, as I've said, there's no set list of checks a lender must make. Penny Post didn't have to ask for bank statements if it was satisfied with the other information Mr W had provided.

I don't think the checks it did carry out gave it grounds for concern about his ability to manage his finances. It took into account the information Mr W provided about his income and expenditure and I think it was entitled to rely in good faith on what he said when making its lending decision. And it verified his basic income by asking for a pay slip and carried out a credit check. Overall I think Penny Post took reasonable steps to check Mr W could afford his monthly repayments.

### **my final decision**

I've decided not to uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 23 October 2019.

James Park  
**ombudsman**