

complaint

Mr S has complained UK Credit Ltd trading as UK Credit, lent him money irresponsibly.

background

In 2013 Mr S took out a loan to repay some existing debts. Miss S guaranteed his debt.

He complained that UKC was irresponsible in lending to him. He says he had existing payday loans and "a huge list of defaults". This meant he couldn't afford to make the monthly payments.

Further, he thinks the loan was made because of his sister's ability to pay. He thinks UKC took advantage of Miss S, who ended up making his repayments. More so, because he thinks UKC should've seen he had an "uncontrollable spending habit".

UKC didn't uphold his complaint because felt it had carried out appropriate and proportionate checks to confirm how much Mr S could afford to pay. His debts were included in the calculation but UKC didn't know about his uncontrollable spending so it couldn't be accounted for. So Mr S referred it to this service.

An investigator looked into the complaint but didn't uphold it. She felt UKC had made appropriate enquiries about Mr S's income and outgoings and that he could afford the loan when he applied for it. This meant it wasn't irresponsible lending.

Mr S didn't agree and he has asked for an ombudsman 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.

On his own admission, Mr S was frank about his finances. He said he told UKC he had existing debts and a poor repayment record. But UKC was still required to carry out appropriate checks to make sure he could afford to repay the loan, it's up to each lender to decide which checks they carry out. In this case, UKC considered his income and outgoings and it obtained a detailed credit report.

He provided a recent payslip. Conservatively, UKC used Mr S's minimum wages although his average earnings for the year were higher because UKC discounted his meal allowances, overtime and tips, which were not guaranteed. He told UKC what his outgoings were. It calculated he could afford to repay the loan with his available income. He didn't tell it he had a gambling habit. UKC was entitled to rely on the accuracy of the information he provided, unless it seemed inconsistent or unreasonable or false. In this case, it wasn't. Based on what he told it, there were no significant living expenses other than rent and his debts.

The credit report did show Mr S has a County Court Judgement that had been satisfied. Six of his accounts had been defaulted. These were either repaid or part of an agreed repayment plan. In total Mr S owed around £5,400. The most significant expense was a loan repayment of £463 per month. This was up to date.

In his application, Mr S asked UKC to lend him £3,000. He said he would be adding some of his own money to it so he could repay other debts. He estimated he would be “about £500 better off each month” once the other debts were settled. This was backed up by the existing loan commitments he’d told UKC about. And it was consistent with his credit file.

Further, UKC say they send all customers pre-contract information and ask the customer and guarantor to confirm their intent to go ahead with the loan. This provides an opportunity to reflect on the commitment and back out if either party is unhappy.

Finally, UKC says it phones both the customer and guarantor to check they understand their responsibilities and the loan amount, loan term, monthly repayments, interest rates etc.

Despite the above, Miss S was unaware of Mr S’s financial position. But it is not UKC’s responsibility to tell her. Mr S could have done, but he chose not to.

I realise Mr S says he has a “chronic gambling habit”. Neither Miss S nor UKC were aware of this. And I can’t see how UKC would have known this from its checks unless he disclosed it.

Based on this evidence, I think UKC made appropriate checks about Mr S’s ability to repay his loan. It was aware of the defaulted loans and his total outstanding debt. The new loan was to consolidate his borrowing into a more affordable commitment. And UKC had seen that Mr S’s income was enough to make the new repayments.

For the reasons stated above, I do not think that UKC was irresponsible in lending the money to Mr S. Further, it is entitled to ask Miss S to repay the loan because she guaranteed to do so if Mr S didn’t.

I’m sorry this will be disappointing news but I hope the reasons for my decision are clear.

my final decision

My final decision is that I will not be asking UK Credit Ltd trading as UK Credit to do anything.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 19 April 2018.

Richard Houlbrook
ombudsman