

Complaint

Mr H has complained about a loan Clydesdale Financial Services (trading as Barclays Partner Finance “Barclays PF”) provided to him.

He says that the loan was unaffordable and he should never have been provided with it in the first place.

Background

In August 2018, Mr H purchased a Hot Tub. The purchase price of the Hot Tub was £6,500.00. Mr H paid a deposit of £99 and Barclays PF provided Mr H with a fixed-sum loan for the remaining £6,401.00 in order to facilitate his purchase.

Mr H’s loan had an APR of 9.9% and a term of 60 months. This meant that the total amount to be repaid of £8,062.20 (not including Mr H’s deposit), which included interest, fees and charges of £1,661.20, was due to be repaid in 60 monthly instalments of £134.37.

One of our investigators reviewed what Mr H and Barclays PF had told us. And he thought that Barclays PF hadn’t done anything wrong or treated Mr H unfairly. So he didn’t recommend that Mr H’s complaint be upheld.

Mr H disagreed with our investigator’s assessment and asked for an ombudsman to look at his complaint.

My findings

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr H’s complaint.

Barclays PF needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Barclays PF needed to carry out proportionate checks to be able to understand whether Mr H could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Barclays PF says it agreed to Mr H's application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out. And in its view, all of this information showed Mr H could afford to make the repayments he was committing to.

On the other hand, Mr H has said he should not have been provided with this loan.

I've carefully thought about what Mr H and Barclays PF have said.

The first thing for me to say is that the information provided does suggest Mr P was asked to provide some details regarding his income and expenditure and Barclays PF didn't just rely on what it was told as it carried out a credit search too.

Although Barclays PF has been able to provide confirmation that this was done it has not been able to supply a copy of the results that it saw at the time. So while I accept that these checks might well have been carried out, without a record of what this showed, I'm simply not in a position to be able to agree that the checks carried out were reasonable and proportionate.

That said, given the circumstances here (payments of roughly £135 over a period of 5 years), I would have expected Barclays PF to have had a reasonable idea of Mr H's income and committed non-discretionary spending in order to determine whether this agreement was affordable for him.

I've considered the information Mr H has now provided with a view to determining what gathering such information, at the time, is likely to have shown Barclays PF. Having done so, this information appears to show that when Mr H's committed regular living expenses are combined with what the credit checks are likely to have shown and are deducted from his income, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I accept that Mr H's actual circumstances may not have been fully reflected either in the information he's now provided, or the information Barclays PF obtained. But given the information provided now doesn't clearly show that the loan were demonstrably unaffordable, I can't reasonably say that Barclays ought reasonably to have realised that was the case at the time.

As this is the case and bearing in mind everything, I don't think that Barclays PF did anything wrong when deciding to lend to Mr H – reasonable and proportionate checks had they been carried out at the time, are more likely than not to have suggested the repayments were affordable for Mr H.

So overall I don't think that Barclays PF treated Mr H unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr H's complaint. I appreciate this will be very disappointing for Mr H. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 2 February 2024.

Jeshen Narayanan
Ombudsman