

## **Complaint**

Mr T has complained about a guarantor loan UK Credit Limited ("UK Credit") provided to him. He says that the loan was unaffordable and should never have been provided to him.

## **Background**

UK Credit provided Mr T with a guarantor loan for £6,000.00 in April 2019. This loan was due to be repaid in 60 monthly instalments of £231.63.

One of our investigators reviewed what Mr T and UK Credit had told us. And she thought that UK Credit hadn't done anything wrong or treated Mr T unfairly. So she didn't recommend that Mr T's complaint be upheld.

Mr T disagreed 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 T's complaint.

UK Credit needed to make sure that it didn't lend irresponsibly. In practice, what this means is UK Credit needed to carry out proportionate checks to be able to understand whether Mr T could afford to repay before providing him with this guarantor loan. The fact that UK Credit might have been able to call upon Mr T's guarantor for the payments, should Mr T have not made them, did not lessen or dilute what it was required to do.

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.

UK Credit provided Mr T with a loan for £6,000.00 in April 2019. This loan was due to be repaid in 60 instalments of £231.61. UK Credit says it agreed to Mr T's application after he provided details of his monthly income, which he provided screenshots of online bank statements to support, and some information on his expenditure during a phone call.

It says it cross-checked this against information on a credit search it carried out as well as the information it asked Mr T to provide and all of this information showed Mr T could afford

to make the repayments he was committing to. On the other hand, Mr T has said he wasn't in a good financial position at the time and shouldn't have been lent to.

I've carefully thought about what Mr T and UK Credit have said.

The first thing for me to say is that UK Credit has provided a record of the results of its credit searches. UK Credit searches appear to show that Mr T had two loans and one of them did have a late payment. However, Mr T was looking to consolidate this loan with a proportion of the funds from this loan. Furthermore, during the phone call he had with UK Credit Mr T confirmed that his other commitments were relatively low and were being reasonably well managed.

Having considered matters it's clear that UK Credit did obtain quite a bit of information from Mr T before lending to him. Equally, Mr T said that he was going to use most of this loan to consolidate one of his existing loans. The rest of the funds were going to be used to pay for a wedding.

It may help for me to explain that at this stage all UK Credit could do was make a reasonable decision based on the information it had available. It won't have known whether Mr T would or wouldn't consolidate the loan balance – like he promised he would - all it could do was take reasonable steps to ensure the payments to its loan would be affordable and rely on assurances from Mr T that the balance, on the other loan, would be repaid with the funds from this one. I'm satisfied that the proceeds of this loan could and should have been used to clear one of Mr T's existing loans.

Equally, as this was a first loan UK Credit was providing to Mr T, there wasn't a history of Mr T obtaining funds from UK Credit and then failing to consolidate debts elsewhere in the way he committed to either. So UK Credit was reasonably entitled to believe that Mr T would do what he said he would.

I accept that Mr T's actual circumstances may not have been fully reflected either in the information he provided, or the other information UK Credit obtained. In particular, I've noted what Mr T said about his personal circumstances meaning that he wasn't working at the time. However, Mr T not only told UK Credit that he was working, he also provided evidence in the form of screenshots of online statements in order to support what he said. So Mr T may not only have been inaccurate, he attempted to provide evidence to support what he now says was an inaccurate statement.

Additionally, when UK Credit pushed Mr T on the fact that payments were being credited to this account from two different companies, Mr T said that he was being subcontracted by another company. Nonetheless, UK Credit excluded the payments from one of the companies on the basis that Mr T said he'd been working for the other one for almost three years and even with the single income the loan appeared affordable.

I also have to take into account not only the checks carried out, but also the extent to which Mr T providing further information to support what he was saying takes his representation from being an inaccurate statement to a clearly untruthful declaration. Most importantly, I also need to consider what effect this has on whether it would be fair and reasonable to uphold the complaint. And while I acknowledge that Mr T's situation may have been different from what he said and provided showed, given what Mr T said and the lengths he must have gone to in order to attempt to prove what he was saying, it's very difficult for me to say that UK Credit needed to do even more.

I am also mindful that even if Mr T was asked to provide more to prove his ability to repay this loan, his actions in terms of what he'd already said and done suggests that he was

determined to provide evidence to support what he was saying about being able to afford the loan payments. And, in these circumstances, I cannot reasonably conclude that UK Credit taking further steps or actions would have resulted in it uncovering Mr T's actual situation or declining to lend to him.

I say this noting that Mr T also enquired about the early settlement terms on the loan and said that this was because he was expecting an inheritance to enable him to clear the balance well ahead of the scheduled repayment date.

I should also explain that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the circumstances here and the information provided, I think that it is difficult for me to conclude that UK Credit ought to have uncovered that the monthly loan payments were unaffordable for Mr T, or that its actions here were not fair and reasonable.

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

I note that Mr T has spoken about the impact that this loan had on his guarantor. But I'm only able to look into UK Credit's actions in relation to him. Should Mr T's guarantor be unhappy with UK Credit's actions, this is a matter they, rather than Mr T, will have to take up with it.

Although I'm not upholding this complaint, I'd like to remind UK Credit of its continuing obligation to exercise forbearance and due consideration should it intend to collect on the outstanding balance on Mr T's account and it be the case that he is experiencing financial difficulty.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 15 January 2024.

Jeshen Narayanan  
**Ombudsman**