

The complaint

Mr E complains that Link Financial Outsourcing Limited trading as Asset Link Capital (No. 9) ('Asset Link') irresponsibly lent to him.

What happened

Asset Link took over legal responsibility for the loan from another business, Future Finance Corporation Limited. So in this decision I will refer to the business only as Asset Link.

In September 2017 Asset Link approved Mr E for a loan by way of a guarantor loan agreement for £27,890. The loan was to help fund tuition fees and living costs for a one year course to gain a professional qualification, Mr E having already graduated from university. Under the terms of the loan the monthly payments were set at £5 for 12 months from October 2017, increasing to £403.41 per month from October 2018 until September 2028.

Mr E says he didn't finish the course due to difficulties with being able to balance work and study.

As of June 2023, Mr E had been keeping up to date with the agreed level of repayments.

Mr E says the loan was irresponsibly lent. He says Asset Link didn't complete reasonable and proportionate checks before approving the loan. He says he can't afford the ongoing loan repayments and that it's also having an impact on his ability to obtain further borrowing as well as affecting his health.

Our investigator didn't recommend that Mr E's complaint be upheld. She thought Asset Link had likely completed proportionate checks, including using predicted future income data, before lending to Mr E.

Mr E disagreed. He maintained that Asset Link had acted unfairly when initially approving the loan. He also pointed out that he didn't complete the course and so start his planned profession and was now struggling to repay the remainder of the loan.

What I've decided – and why

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

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. I've used this approach to help me decide this complaint.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Taking into account the rules, regulations, guidance and good industry practice, in this decision I will focus on the question of whether Asset Link completed reasonable and proportionate checks to satisfy itself that Mr E would be able to repay the loan in a sustainable way, both at the point of granting the loan and once the initial low payment period had ended.

Did Asset Link make a fair lending decision?

Asset Link needed to take reasonable steps to ensure it lent responsibly to Mr E. The relevant rules, regulations and guidance at the time Asset Link lent required it to carry out reasonable and proportionate checks.

These checks needed to assess Mr E's ability to afford the loan and repay it sustainably over its term without causing him financial difficulties. There isn't a set list of checks a lender needs to carry out, but they should be proportionate, taking into account things like the type, amount, duration and total cost of the credit, as well as the borrower's circumstances.

Under the relevant regulations at the time, Asset Link was entitled to rely on the expected future income for Mr E when making this assessment. This was on the basis that this assessment was appropriate (bearing in mind what these regulations required in terms of proportionality) and there was an appropriate exercise of forbearance in relation to any initial payments.

Asset Link says it completed reasonable and proportionate checks, including using statistical information based on his course of study. This also included consideration of Mr E's future income and intended career. It also says it completed a credit search on Mr E before approving the loan.

Asset Link considered that the £5 per month repayments that Mr E would have to pay whilst still on his course to be affordable. The bank statements Mr E sent us also show this to be affordable in my view. I've noted that Mr E was making use of his overdraft and had other expenditure. Having an overdraft in place wouldn't be unusual for Mr E's circumstances as a student in study. Having noted his level of expenditure, I can't see that having to find an additional £5 per month would have had a significant impact on his overall financial circumstances.

Asset Link then went on to calculate Mr E's future expected income. It says based on the information it had at the time that Mr E would be earning an annual income of around £20,000 after completing the course of study.

Given the substantial amount in relation to his future projected income, Asset Link needed to carry out checks that were proportionate. As such I'm satisfied proportionate checks in this instance would've included obtaining a reasonable understanding of Mr E's circumstances.

As part of its checks, Asset Link also considered Mr E's likely future income. Asset Link has told us about the various data sources it used to help predict this. We also know that Asset Link uses information from third parties, including educational institutions, in order to calculate the likely salary. This was considered alongside what Asset Link already knew about Mr E's existing credit commitments, which was chiefly his existing student loan.

I've thought about all this information and in this instance, I'm satisfied its prediction of Mr E's affordability was proportionate. As I've said, based on Mr E's course of study and the professional qualification he'd gain at the end of it, it predicted his likely income at the end of the course to be around £20,000 per year. Considering what Asset Link knew about Mr E's planned course of study and career, this figure seems fair and reasonable. It may be

different if the salary predicted was unreasonably high, but I consider the projected salary was in line with the likely starting salaries. So I'm satisfied it was reasonable to rely on it.

It follows that I think Asset Link was entitled to rely on the future predicted earnings of Mr E when completing its assessment. Ultimately it has demonstrated that it has come to a reasonable figure, based on different sources of information. And it was exercising reasonable initial forbearance measures, such as by setting low, nominal payments during Mr E's period of study, until such time that Mr E ought reasonably to have achieved the predicted income. I'm therefore satisfied that Asset Link has acted fairly and in line with the relevant rules at the point it made the initial lending decision.

It follows that I'm also satisfied that Asset Link completed reasonable and proportionate checks before approving the loan. So I've concluded that it made a fair decision to lend. The information which Asset Link gathered at the time demonstrated that Mr E would likely be able to afford the repayments during and after his studies had been completed. It had a reasonable prediction of what the future income and outgoings would be and these demonstrated the loan was likely affordable. Asset Link was also entitled to rely on the information which Mr E provided and there doesn't appear to be any contradictory information which suggested it shouldn't. So I'm satisfied it made a fair decision to lend.

Did Asset Link act fairly when the higher repayments became due?

Mr E also told us he was struggling to meet the higher repayments that were payable under the terms of the loan, particularly in light of the fact that he didn't go on to complete the course and then move on to have the career he'd been planning to start.

The higher payments were due to begin in August 2018. Mr E requested and obtained at least two payment holidays – in late 2018 and another early in 2019 - before starting to make the higher payments. This was because he had started working on a part time basis at a lower wage than he would likely have received if he'd completed the course and obtained employment. I'm therefore satisfied that Asset Link was aware of Mr E's financial situation and took steps to address it by offering forbearance help in this way.

It follows that, having taken everything into account, I'm satisfied that Asset Link acted fairly when approving Mr E for this loan. It follows that I do not uphold this complaint.

I appreciate this outcome will come as a disappointment to Mr E. I would of course like to remind Asset Link of its ongoing responsibilities to work with Mr E to reach an affordable and sustainable repayment plan.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 10 November 2023.

Michael Goldberg

Ombudsman