

## **Complaint**

Mr C has complained about a personal loan Bank of Ireland (UK) Plc provided to him under its ("Post Office") brand. He says the loan was unaffordable and so shouldn't have been granted.

## **Background**

Post Office provided Mr C with a loan for £10,000.00 in September 2019. This loan had an APR of 8.9% and was due to be repaid in 60 monthly instalments of just under £205.43.

One of our investigators reviewed what Mr C and Post Office had told us. And he thought that Post Office hadn't done anything wrong or treated Mr C unfairly. So he didn't recommend that Mr C's complaint be upheld. Mr C 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 C's complaint.

Having carefully considered everything, I've decided not to uphold Mr C's complaint. I'll explain why in a little more detail.

Post Office needed to make sure that it didn't lend irresponsibly. In practice, what this means is Post Office needed to carry out proportionate checks to be able to have a reasonable understanding of whether Mr C could afford to make his monthly repayments 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.

Post Office says it agreed to Mr C's application after he provided details of his monthly income. It says it also carried out a credit check to assess Mr C's existing indebtedness. In its view, all of this information showed Mr C could afford to make the repayments he was committing to. On the other hand, Mr C has said he should never have been provided with this loan because of his existing financial position.

I've carefully thought about what Mr C and Post Office have said.

The first thing for me to say is that Post Office not only asked Mr C for details about his income, it also carried out a credit check to assess Mr C's indebtedness.

Post Office's credit searches also did show that Mr C had some existing debts. But it's fair to say that these weren't excessive (one of the loans Mr C has referred to had been repaid before this one was provided) and that they were being well managed. Furthermore, while there is some dispute over the amount Post Office used for Mr C's take home pay, this in itself doesn't mean that Mr C's complaint should be upheld.

In any event, as part of its checks I would have expected Post Office to have had a reasonable understanding about Mr C's regular living expenses as well as his income and existing credit commitments. The information Mr C has provided does appear to show that when his committed regular living expenses and existing credit commitments were deducted from his monthly income, he did have the funds, at the time at least, to sustainably make the repayments for this loan. This is the case even when Mr C's estimation of the amount that should have been used as his take home pay is used.

I accept that the real reason for Mr C's inability to make his payments to this agreement wasn't due to his existing credit commitments or his living expenses. And that this is readily apparent when Mr C's bank statements are considered. But what I need to think about here is what Post Office needed to have done in order for its checks to have been proportionate – in other words, what were Mr C's actual regular living expenses (bearing in his credit commitments were already validated by the credit search)? – given this was a first loan Mr C was taking out with Post Office.

Bearing in mind checking bank statements wasn't the only way for Post Office to have found out more about Mr C's actual living costs – it could have obtained copies of bills or other evidence of payments etc – I don't think that proportionate checks would have extended into obtaining the bank statements Mr C has now provided us with. So I don't think that Post Office could reasonably be expected to have known about the nature and extent of Mr C's additional spending.

I appreciate that Mr C has also referred to the fact that he was overdrawn at the time. I accept that Mr C was regularly overdrawn in the lead up to this application. But I don't think that this meant that Post Office shouldn't have lent to him. Indeed, Mr C could have cleared his overdraft with some of the funds from this loan – especially as this loan will have had a lower interest rate.

I'm sorry to hear that Mr C experienced difficulty making the payments. But the key here is that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And I don't think that Post Office could possibly be expected to have known that the payments to this agreement were unaffordable, bearing in mind that reasonable and proportionate checks are unlikely to have shown that this was the case.

So overall I don't think that Post Office treated Mr C unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr C's complaint. I appreciate this will be very disappointing for Mr C. 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 C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 13 November 2023.

Jeshen Narayanan  
**Ombudsman**