

## **Complaint**

Mr H has complained about a loan that Link Financial Outsourcing Limited (trading as “Asset Link Capital (No.9)”) is now responsible for. He says that the loan was unaffordable and should never have been provided to him.

While Asset Link Capital (No.9) is now responsible for this loan, it didn’t originally provide it. Mr H’s loan was part of a book of loans that were originally provided by Future Finance before it subsequently entered into administration. As a result Future Finance sold its legal and beneficial title in the loans to Asset Link Capital (No.9). For ease of reference, I will refer to Future Finance in this decision.

## **Background**

Future Finance provided Mr H with a loan for £6,000.00 in October 2019. The loan was to cover living expenses while Mr H completed a full-time study course.

Mr H’s loan had a variable APR of 22.8% and a term of 97-months. This meant that the total amount to be repaid of £13,174.53, which included interest, fees and charges of £7,174.53 (made up of interest of £6,664.53 and a £510 origination charge) was due to be repaid in an initial 13 monthly instalments of £75 followed by 84 instalments of £145.25. This was to reflect the fact that Mr H would make lower repayments for the period that he was studying.

One of our investigators reviewed what Mr H and Future Finance had told us. And he thought that Future Finance 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.

Future Finance needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Future Finance 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.

Future Finance 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 never have been provided with this loan because of his existing financial position.

I've carefully thought about what Mr H and Future Finance have said.

The first thing for me to say is that Mr H's loan wasn't a typical arrangement, as there was a clear understanding that he wasn't immediately able to make the full monthly repayments as he was going to be studying. However, as a result of this Mr H was only required to make reduced payments for the duration of his studies. It was only when these were completed a couple of months had passed to allow him to find employment would he have to make the increased repayments. And this was due to happen from December 2020 onwards.

Regarding Mr H's situation at the time of the application, the information provided does suggest Mr H was asked to provide some details regarding his income and expenditure and Future Finance didn't just rely on what it was told as it carried out a credit search too. The credit search that Future Finance carried out did indicate that Mr H had some existing debt. And the credit check that Mr H has provided suggests that he may have taken some payday loans previously.

But Mr H's existing debt appears to have been reasonably maintained. And there isn't anything in the information provided that suggests to me that Mr H wouldn't have been able to repay the low monthly in-study payments. I say this particularly given the number of discretionary transactions on the statements Mr H has provided to use from the time too.

I'm also mindful that Mr H was already committed to his course at the time that he took this loan. Given he was always going to incur any living expenses that this loan was earmarked to cover, it seems to me what Mr H has said about his use of payday loans indicated that that is the type of lender he would have turned to in the event Future Finance had turned down his application.

I think this is important given the fact that Mr H wouldn't start fully repaying this loan until his salary had improved after completing his course, which wouldn't have been the case with payday type finance. This type of finance would also have been much more expensive too. Bearing all of this in mind, I think that Future Finance's decision to provide the loan in the first instance wasn't unreasonable.

As a result of the type of loan and Mr H's eventual need to make increased payments, Future Finance should probably have checked with Mr H to see that he had secured employment and how much he was earning before December 2020. I think it would have been particularly important for Future Finance to have done this given the general economic situation at the time. However, I can't see any evidence of Future Finance doing this.

Nonetheless, I am mindful that Mr H was in employment in December 2020. And he was in a job that paid him a salary close to the estimate that had been calculated at the time of his application. So, in my view, Future Finance would have started taking payments in the way it

did even if it had got in contact with Mr H in December 2020. He had completed his studies and was earning more, which was what both parties had anticipated would be the case, what had budgeted for and the monthly repayments had been calculated for.

In any event, if Mr H is having difficulty making the increased payment, Asset Link Capital (No.9) has already agreed to reconsider the repayment schedule Future Finance agreed. Given the arrangement and the type of loan here, I don't think that is unreasonable. And I would encourage Mr H to get in touch in the event that he is having difficulty making payments, particularly as he was in arrears when Future Finance provided its file on his complaint.

Overall and bearing in mind everything, I don't think that Future Finance did anything wrong when deciding to lend to Mr H - it carried out proportionate checks (although I accept that Mr H disputes this) and reasonably relied on what it found out which suggested this loan would help Mr H with living expenses while he studied for a qualification that would increase his earning potential.

I accept that it probably should have done more to establish that Mr H's income had increased before December 2020, but as it in any event did do so (broadly in line with the estimates from the time of the application) I don't think doing more would have seen it deciding against collecting higher payments as per the terms of Mr H's loan agreement.

So overall I don't think that Future Finance acted Mr H unfairly or unreasonably in its dealing with Mr H. And I'm not upholding this 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 15 January 2024.

Jeshen Narayanan  
**Ombudsman**