

## The complaint

Mr U complains that Sky UK Limited irresponsibly gave him three fixed sum loan agreements he couldn't afford to repay.

## What happened

In December 2022, Mr U applied for three separate fixed sum loan agreements with Sky over the course of three days. Each agreement was to be used to finance the purchase of a mobile phone (the same make and model each time). Each application was accepted by Sky. The agreements were all interest free, but they all required Mr U to repay the original cash price of £1,200 (a total of £3,600) over 36 months.

Mr U later complained to Sky to say that it shouldn't have given him the agreements because they were unaffordable from the outset. Sky didn't think it had acted unfairly in lending to him. It said it had completed affordability checks which didn't reveal any concerns.

I sent Mr U and Sky my provisional decision on 29 November 2023. I explained why I thought the complaint should be upheld. I said:

*Before lending to Mr U, Sky needed to complete proportionate affordability checks to ensure the lending wasn't going to cause him financial difficulty. There isn't a set list of checks that had to be completed as each lending decision is unique. In deciding what checks would be proportionate each time, Sky needed to take into consideration several factors such as (but not limited to): the amount borrowed, the charge for credit, the size of the regular repayments, the term and the consumer's circumstances.*

*Sky have provided very little evidence of the checks it completed with each application. It has provided the name of the credit reference agency it used to complete a credit check on Mr U and has told us that there were no defaults, CCJs or other adverse markers present on those checks. It says that based on this information it deemed the loans to be affordable.*

*While I accept that these credit agreements were interest free and the repayments were either £33 per month or £31.50 per month, Sky was still looking to lend £1,200 each time. From what Sky has provided it appears it made no attempt to establish what Mr U's income was with any of the applications. I don't know how it hoped to adequately assess Mr U's ability to repay the agreements with zero understanding of how much income he had.*

*Sky will be aware that the relevant rules in place by the regulator generally expected it to make at least some attempt to establish what Mr U earned. It has not demonstrated, as required by the rules, that it was obvious Mr U could afford the loans without it needing to establish his income. I'm therefore not persuaded it completed reasonable or proportionate affordability checks before lending on any of the loans.*

*Mr U has told us he earned around £2,300 per month and I've seen no reason to disbelieve him. So, I think it's likely this is what he would have told Sky if it had asked. Sky hasn't provided us with a copy of the credit checks it completed at each application but has told us which credit reference agency it used. Mr U has provided us with a copy of his credit report from that same agency. I'm therefore persuaded that the information contained in the report Mr U has provided is likely to contain the same (or very similar) information as what Sky saw when it completed its checks.*

*Sky said its checks revealed no CCJs, defaults or missed payments. This appears to be accurate. However, that isn't all that Mr U's credit history showed. I think it ought to have been very clear that he was struggling financially and that any further credit would be unaffordable and unsustainable for him.*

*I say this because I've seen that Mr U had a mortgage, which he was paying around £850 per month. He also had a further secured loan with monthly repayments of nearly £500 and an unsecured loan with monthly repayments of around £140. In addition to these large commitments, Mr U also had eight credit cards and three further loans.*

*The credit cards had combined limits of around £3,000 and Mr U had opened six of those credit card accounts in the previous 11 months – and the majority of those in the last four months. It appears he was utilising the majority of those limits at the time of the first application to Sky. The three additional loans had all been taken out in the previous three months and were from high-cost-short-term lenders. Mr U's credit file also demonstrated that he had a prolonged history of relying on payday loans and other high-cost-short-term borrowing.*

*While his credit file might not have indicated missed payments, it was very clear Mr U was relying on borrowing to meet his existing commitments and in the previous three to six months his need for further credit had significantly increased.*

*The amount of debt, the speed at which he was increasing his indebtedness and the type of borrowing he was undertaking, all should have prompted Sky to realise that further credit would be unaffordable and unsustainable for him. Further, just taking into account the regular monthly repayments towards these debts would have left Mr U with very little each month to meet his essential living costs such as food and priority bills. I therefore don't think Sky acted fairly when it approved all three applications.*

*It isn't possible to completely unwind the lending decisions and place Mr U back in the position he would have been in but for Sky's actions. However, as Mr U has received the goods that the finance was taken out to purchase, I think it's fair he pays back the capital amount he borrowed. I note the credit agreements have all been defaulted and that Mr U is currently repaying the debt under a payment arrangement.*

*The adverse information recorded on his credit file in relation to these agreements has only happened because Sky lent to him when it shouldn't have. So, I consider it fair and reasonable that any adverse markers are removed from his credit file. However, they should only be removed once Mr U has paid back the capital he borrowed. This is so that while there is a balance outstanding other lenders can correctly see on his credit file that he still owes money to Sky and that he was not in a position to be able to afford to pay it back. Once he's paid the capital back it would be unfair to continue reporting that inability to repay as he should never have been in that position.*

Mr U accepted my provisional decision and had no further information or evidence to provide, other than to say the debt was currently with a debt collection agency. Sky didn't respond to my provisional decision.

### **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.

As neither party has provided any further information or evidence, I've seen no reason to come to a different conclusion to the one I reached in my provisional decision. I therefore don't think Sky acted fairly and reasonably when it granted all three loans to Mr U.

### **My final decision**

For the reasons given above, I uphold this complaint and direct Sky UK Limited to:

- Remove any adverse information it has recorded on Mr U's credit file in relation to all three credit agreements, but only when he has repaid the capital that he borrowed.

If Sky has sold the outstanding debt to a third party, it either needs to buy the debt back in order to carry out these directions or ensure that the third party does so promptly on its behalf.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 11 January 2024.

Tero Hiltunen  
**Ombudsman**