

Complaint

Mrs T has complained about a loan Bank of Ireland (UK) Plc (trading as “Post Office” Financial Services) provided to her.

She says the loan was unaffordable and so shouldn’t have been provided.

Background

Post Office provided Mrs T with a loan for £5,600.00 in October 2021. This loan was due to be repaid in 60 monthly instalments of £132.77. One of our investigators reviewed what Mrs T and Post Office had told us. And she didn’t recommend that Mrs T’s complaint be upheld.

Mrs T disagreed with our investigator’s assessment and asked for an ombudsman to look at her complaint and reach a final decision.

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 Mrs T’s complaint.

Having considered everything, I’ve not been persuaded to uphold the complaint. I’ll explain why in a bit 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 understand whether Mrs T 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.

Post Office says it agreed to Mrs T’s application after she 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 other information it obtained. In its view, all of this information showed Mrs T could afford to make the repayments she was committing to.

On the other hand, Mrs T has said she was in financial difficulty.

I've carefully thought about what Mrs T and Post Office have said.

The first thing for me to say is that Post Office has suggested it carried out credit searches which showed that Mrs T didn't have that much in the way of existing credit commitments and what she did have was relatively well maintained. It also obtained a copy of a recent bank statement.

Having looked at the copy of the credit file provided it's fair to say that Mrs T's existing commitments at the time of this application were relatively well maintained. I accept that there is a late payment to a revolving credit account in the month of the application, but given the proximity to this application, I think it's unlikely to have shown in Post Office's credit search.

Mrs T appears to be suggesting that her actual circumstances may not have been fully reflected either in the information she provided, or the information Post Office obtained. And I know that she's said that her circumstances have worsened as a result of the cost of living increasing.

I'm sorry to hear that Mrs T has been struggling. But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Post Office could only make a decision based on what it had at the time and I don't think that it could reasonably have been expected to know that things would change in the way that they have done.

Given the monthly payments and the lack of obvious indicators of difficulty in the information obtained, I don't think that Post Office's decision to lend, at the time at least, was unreasonable. Indeed the bank statement Mrs T provided appears to support his having been the case.

As this is the case, I don't think that Post Office did anything wrong when deciding to lend to Mrs T - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. And, in any event, I've not been provided with anything else that suggests Post Office doing even more would have prevented it from lending either.

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

Although I'm not upholding this complaint, I'd like remind Post Office of its obligation to exercise forbearance and due consideration should it intend to collect on the outstanding balance on Mrs T's loan and it be the case that she is experiencing financial difficulty.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 2 October 2023.

Jeshen Narayanan

Ombudsman