

The complaint

Miss K complains that Link Financial Outsourcing Limited trading as Asset Link Capital (No.9) lent to her irresponsibly.

What happened

Miss K applied for and received a loan of £4,500 for a new laptop and living expenses while she was a student. It was to be drawn in two instalments of £2,250 - one in June 2019 and another the following month. Asset Link agreed the loan. It was to be repaid over nine years and four months in 28 monthly payments of £75 (while Miss K completed her studies) and 84 monthly payments of £102.76. The total repayable over the term was £10,731.10.

Miss K complains that the interest on the loan is “*astounding*”. When the time came to increase the payments, she asked Asset Link for help as she couldn’t afford the repayments. She hadn’t graduated due to personal reasons but was told there was nothing that could be done. She said Asset Link should never have agreed the loan for her.

Asset Link looked into the complaint and rejected it. It said it had carried out appropriate checks to ensure she would be able to afford the payments. In line with the nature of the product, Asset Link had assessed affordability on estimated future income based on the course Miss K was undertaking and the university she was attending. It was satisfied the payments would be affordable. But it acknowledged Miss K had found herself in a difficult position as she’d not graduated as planned, so it refunded around 14 months of interest (totalling £982.14) and removed negative markers from her credit file up to July 2022.

Miss K didn’t accept what Asset Link said and referred her complaint to us. One of our investigators looked into it. He said Asset Link had carried out sufficient checks on Miss K’s application and it was reasonable for it to rely on projected income and expenditure figures when doing so. He acknowledged that Miss K hadn’t completed her studies as expected but felt Asset Link had responded reasonably to her request for help. Our investigator said he didn’t think Asset Link had acted unfairly.

Asset Link accepted what our investigator said, but Miss K didn’t. As there was no agreement, the complaint has been passed to me for a 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.

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 think there are three key questions for me to think about while looking at Miss K’s complaint. These are:

1. Did Asset Link complete reasonable and proportionate checks to satisfy itself Miss K would be able to repay the loan in a sustainable way?

- a. If so, did it make a fair lending decision?
 - b. If not, would those checks have shown that Miss K would've been able to do so?
2. Did Asset Link complete a review of Miss K's circumstances once the in-study period had ended?
3. Did Asset Link act unreasonably in any other way?

I'll deal with each in turn.

Did Asset Link complete reasonable and proportionate checks to satisfy itself Miss K would be able to repay the loan in a sustainable way? If so, did it make a fair lending decision?

The relevant rules, regulations and guidance at the time Asset Link lent to Miss K required it to carry out reasonable and proportionate checks to ensure it was doing so responsibly. The checks needed to assess Miss K's ability to afford the loan and repay it sustainably over its term without causing her 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 their circumstances. But it isn't enough just to carry out checks, a lender must consider the information it obtains to make a fair lending decision. This includes not lending to someone in financial hardship; and ensuring repayments can be made sustainably without having to borrow further.

Under the relevant regulations at the time, Asset Link was entitled to rely on expected future income for Miss K when making this assessment. Provided 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.

The loan was taken in June and July 2019 for £4,500. The purpose of the loan was to help Miss K to buy a laptop and cover living expenses while she was studying. Miss K says she took the loan when she was vulnerable and had poor credit, so was desperate for money.

Asset Link has explained that at the time of her application, Miss K was working while studying, earning £500 per month. She provided it with details of her course, the expected completion date and confirmed she was living at home paying no rent so her expenses were mainly food and travel. She had also taken the government backed student finance.

Asset Link then went on to conduct a search of Miss K's credit file and checked employment statistics in her chosen field of study. Her credit file showed two credit cards with combined limits of £1,400 and a balance of £164 with all payments up to date, as well as two overdrafts with combined limits of £1,500 and balances totalling £1,430.

Based on employment statistics provided by the Higher Education Statistics Agency (HESA) Asset Link found Miss K would be likely to earn in the region of £1,800 per month when she graduated.

So I've seen that the credit check Asset Link carried out at the time of her application showed no particular issues that would be unexpected for someone in her position – she had some debt, but it was being serviced. Further, taking into account her expenditure at the time, she had an income that was sufficient to enable her to service the debts she had and the in-study loan repayments. Due to the nature of this loan, it was reasonable for Asset Link to rely on an estimate of Miss K's future income and expenditure. The regulations applicable allow it to do so.

I've thought carefully about the checks Asset Link conducted and I think it has shown that it carried out reasonable and proportionate checks before agreeing to lend to Miss K. On the basis of what I've seen I think it reached a fair decision to lend to her.

Did Asset Link complete a review of Miss K's circumstances once the in-study period had ended?

The payments of £75 during the 'in-study' period were designed to cover the interest accrued at that time. Then, once Miss K graduated, the payments were to increase to £102.76 in order to repay the capital and interest accruing from then on. As Asset Link could only estimate what Miss K's circumstances would be like at this time, it had to ensure the increased monthly repayments were affordable once the time came.

When the loan was taken, Miss K had planned to graduate by August 2021. The higher repayments were due to start in November 2021. Asset Link was in touch with Miss K about the higher repayments. In October 2021, Miss K told it she hadn't graduated for personal reasons but hoped to do so in July 2022. By then she was earning around £900 a month, still lived at home and wasn't responsible for household bills etc. She began to make the higher repayments – albeit they'd dropped slightly to £100.10 as the applicable interest rate had fallen.

During a conversation in December 2021, Miss K said that in fact she wouldn't graduate until 2023. While she was still earning, she'd taken on some bills which, added to her other credit commitments, totalled £300 per month. She continued to meet the higher repayments.

So I can see that Asset Link has been in touch with Miss K prior to her payments increasing. Given the notes of the conversations that took place and the payments received, I think Asset Link did enough to review the affordability of the increased payments.

Did Asset Link act unreasonably in any other way?

Miss K says the interest rate for the loan is "*astonishing*", and Asset Link didn't help her when she told it she was having trouble meeting the higher repayments. I'll deal with each in turn.

The agreement Miss K signed when she took the loan is clear about the repayments required, interest rate and the term of the loan. It also included the total cost of credit. She was also given a "*Funding and Repayment Schedule*" which set out on a month-by-month basis what was due, an estimate of interest and projected balance outstanding. So Miss K knew from the outset what she'd need to pay and how long it would take to pay off the loan if it ran its full term.

So I think Asset Link provided Miss K with the information I'd expect, fairly bringing the cost of borrowing to Miss K's attention.

Miss K has said Asset Link didn't help her when she was having trouble meeting the higher repayments. I've already said that there was communication between Asset Link and Miss K when she found she wouldn't be graduating as planned. The notes of that contact show she was told that the loan term couldn't be extended. But I can see too that Asset Link discussed other measures with Miss K such as payment holidays, and suggested she seek independent financial advice.

Later, Asset link asked more about Miss K's income and expenditure, but she agreed she could afford the higher repayments of just over £100 - around £25 a month more than those required earlier in the payment schedule. She was earning £900 per month, living with her

parents and wasn't responsible for priority bills, so the assurance she could afford the repayments doesn't seem unreasonable.

Asset Link has also provided information about how best to contact it regarding financial difficulties if she found herself in that situation. And finally, I note it refunded £982.14 of interest that was accrued between May 2021 and July 2022. I've seen nothing to show that it wasn't entitled to charge that interest, so the refund of them is a sign that Asset Link is seeking to help Miss K with her situation.

Having reviewed all the evidence provided by each party to this complaint, I don't think Asset Link has acted unfairly or unreasonably towards Miss K. It has acknowledged she didn't graduate as planned and has taken action to assist her through the refund of interest and amendments to her credit file. I think this is evidence that Asset Link has tried to support Miss K with the situation she has found herself in.

If Miss K finds herself in financial difficulty, I'd encourage her to work with Asset Link to find a way forward. I'd remind Asset Link of its obligation to treat her fairly.

My final decision

For the reasons I've set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 15 August 2023.

Richard Hale
Ombudsman