

## **Complaint**

Mr T has complained about a personal loan Ikano Bank AB (publ) ("Ikano") provided to him. He says that the loan was unaffordable and so should never have been lent to him.

## **Background**

Ikano provided Mr T with a loan for £15,000.00 in April 2016.

Mr T's loan had an APR of 14.9% and a term of 60 months. This meant that the total amount to be repaid of £20,979.40, which included interest, fees and charges of £5,979.76, was due to be repaid in 59 monthly instalments of £349.66 followed by a final instalment of £349.52.

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

Mr T 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 T's complaint.

Ikano needed to make sure that it didn't lend irresponsibly. In practice, what this means is Ikano needed to carry out proportionate checks to be able to understand whether Mr 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.

Ikano says it agreed to Mr T'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 T could afford to make the repayments he was committing to.

On the other hand, Mr T has said he should never have been provided with this loan because of his existing financial position.

I've carefully thought about what Mr T and Ikano have said.

The first thing for me to say is that this was Mr T's first loan with Ikano. The information provided does suggest Mr P was asked to provide some details regarding his income and expenditure and Ikano didn't just rely on what it was told as it carried out a credit search too. The credit search that Ikano carried out did indicate that Mr T did have some existing debt.

But Mr T's existing debt was relatively reasonably maintained as he only had one late payment and he quickly brought this up to date. During the underwriting call Mr T had with Ikano, he explained that this late payment was because of a miscalculation of interest. And as Mr T quickly brought this account back up to date, I'm satisfied that Ikano was entitled to rely on what Mr T said.

Furthermore, I can also see that Mr T committed to clearing an existing credit card balance in its entirety with the proceeds from this loan. The information suggests that if Mr T had done this in the way that he committed to, the loan repayments would be affordable for him. I don't know if Mr T cleared his credit card balance in this way and/or whether he went on to establish further debt on it.

However, Ikano could only make a reasonable decision based on the information it had available at the time. It won't have known whether Mr T would clear his balance and if he did whether he would go on to re-establish balances on his credit card. All Ikano could do was take reasonable steps and rely on assurances from Mr T that the balance would be repaid with these funds. Indeed the notes from the underwriting call Ikano had with Mr T said that not only was Mr T committing to clearing his balance completely and making lower monthly repayments as a result, he'd also close the account concerned too.

So I'm satisfied that the proceeds of this loan could and should have been used to clear the outstanding balance on one of Mr T's existing credit cards at a cheaper interest rate. It was also Mr T's responsibility to close his credit card account once he'd repaid it. This was an account with a different provider and Ikano wasn't in a position to close the credit card for Mr T. And as this was a first loan Ikano was arranging for Mr T, there wasn't a history of Mr T obtaining funds and then failing to consolidate debts elsewhere in the way he committed to either. So Ikano was reasonably entitled to believe that Mr T would be left in a better position.

It's possible – but by no means certain - that if Ikano had gone into the depth of checks Mr T appears to be saying it should have – such as obtaining bank statements – it might have reached a different answer. But the key here thing is that I don't think the circumstances of the lending here warranted obtaining bank statements. Ikano was arranging a loan which wasn't going to be increasing Mr T's overall indebtedness.

Given the circumstances, I'd expect Ikano to have a reasonable idea of Mr T's income and committed non-discretionary spending, which it did here, rather than a complete review of Mr T's finances. And given this loan had a monthly repayment of around £350 and it ran to term, it's difficult for me to logically conclude that Mr T borrowed the other loans he has mentioned to repay this loan. The providers he has referred to didn't lend Mr T amounts that would accord with loan repayments at a time they were being made.

I accept that Mr T's actual circumstances may not have been fully reflected either in the information he provided, or the information Ikano obtained. For example, it's possible that Mr T's wife didn't return to work in the way that he told the underwriter that she would, or

Mr T wasn't able to rely on parents to look after children in the way he said he would be able to and therefore incurred unanticipated childcare costs.

But given the circumstances here, Ikano was entitled to rely on what Mr T was saying was accurate. For the sake of completeness I should also add that while I've seen what Mr T has said about this being a high-cost loan and the interest rate was above prime averages, it is nonetheless more likely than not lower than the interest rate on the credit card Mr T was clearing. Furthermore, the APR itself is not high enough to be classified as high cost and as far as I am aware, the regulator does not consider Ikano to be a high-cost lender.

As this is the case and bearing in mind everything, I don't think that Ikano did anything wrong when deciding to lend to Mr T - it carried out proportionate checks (although I accept that Mr T disputes this) and reasonably relied on what it found out which suggested the repayments were affordable.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 22 December 2023.

Jeshen Narayanan  
**Ombudsman**