

The complaint

Mr C complains that Omni Capital Retail Finance Limited (“Omni”) irresponsibly granted him an interest free loan he couldn’t afford to repay.

What happened

In December 2021 Mr C arranged a purchase with the benefit of an interest free fixed sum loan agreement. Under the terms of the agreement Mr C was required to pay a deposit of £69.91 followed by one payment of £104.89 and then five monthly repayments of £104.85.

Mr C says that Omni didn’t complete adequate affordability checks. He says if it had, it would have seen the agreement wasn’t affordable. Omni didn’t agree. It said it carried out a thorough assessment which included checks that were fair and proportionate.

Our adjudicator didn’t recommend the complaint be upheld. He thought Omni didn’t act unfairly or unreasonably by approving the finance agreement.

As Mr C didn’t agree, his complaint has been passed to me for a final 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.

Omni will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Before granting the finance, I think Omni gathered a reasonable amount of evidence and information from Mr C about his ability to repay. I say this because it took note of the information he gave on his application and completed a credit check. On his application Mr C had said he earned a gross annual income of £28,500 and lived at home with his parents. He also said he paid £120 each month by way of rent. The credit check showed that Mr C owed around £10,000 on existing credit cards. But there was nothing to suggest any recent issues with obtaining or managing credit, with no defaults or other adverse markings against him. Based on the checks I’ve seen, I think Omni took reasonable and proportionate steps to satisfy itself that Mr C would be able to repay the loan.

However, just because I think Omni carried out proportionate checks, it doesn’t automatically mean it made a fair lending decision. So, I’ve thought about what the available evidence and information showed.

Having reviewed the information and evidence Omni gathered, I’m satisfied that the checks that were completed showed that the agreement was likely to be affordable to Mr C. I say this given that the information Omni obtained about his existing credit appears to have been

reasonably comprehensive in view of the size and duration of the loan. Whilst it showed Mr C had used up around 90% of the credit available to him at that time, his monthly net income of around £1,900 looks to have been enough for him to sustainably meet the monthly repayments required under the agreement.

Mr C told us about another loan, taken out in April 2021, which Omni wasn't aware of at the time, requiring monthly repayments of £342. Mr C has pointed out that Omni didn't consider this loan before granting him the new loan he was applying for. But I don't consider this is something I could expect Omni to have been aware of, particularly if it had no way of knowing about it from the proportionate searches it carried out at the time. In any event, based on what I've seen about Mr C's typical monthly expenditure, he would still be able to sustainably meet all his credit repayments, plus his household expenses contribution, and be left with enough disposable income.

Mr C provided us with three months of bank statements from before he arranged the loan. Mr C appeared to be managing his finances well, occasionally making use of his overdraft before he was paid. I've noticed that he took out some additional borrowing in September and October 2021. I haven't seen evidence that this showed up in the credit check Omni carried out. But even if it had, whilst it would be fair to say that Mr C was taking out an increasingly greater level of borrowing, I don't think at this point the loan from Omni was likely to be unsustainable.

In response to our adjudicator's view, Mr C has provided us with further bank statements which I have also considered. I see this includes evidence of further borrowing both before and after the loan was taken out. Although I am grateful for the additional information, in reaching my decision I am principally considering the issue of whether Omni acted fairly in granting Mr C this credit when it did, based on information available to it at the time. And whilst I can see additional evidence to suggest that Mr C was borrowing more and his financial situation may have been beginning to deteriorate, I wouldn't reasonably expect this to be information that Omni would have been aware of at the time it made its lending decision.

It follows that I don't think that taking on the monthly payments required under the agreement could be considered to be unaffordable at the time Mr C applied for the loan. I therefore don't think Omni acted unfairly in approving the finance application.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 16 August 2023.

Michael Goldberg
Ombudsman