

The complaint

Mr G complains that Link Financial Outsourcing Limited trading as Asset Link Capital (No. 9) ('Asset Link') irresponsibly lent to him.

What happened

Asset Link took over legal responsibility for the loan from another business, Future Finance. So in this decision I will refer to the business only as Asset Link.

In September 2019 Asset Link approved Mr G for a loan by way of a fixed sum loan agreement for £9,250. The loan was to help fund tuition fees and living costs. The loan was for a total term of 121 months but was broken down so payments for the first 37 months would be set at £5 per month followed by 84 months at £326.29 per month.

Mr G says the loan was irresponsibly lent. He says Asset Link didn't complete reasonable and proportionate checks before approving the loan. Mr G also complains about the validity of the assessment that Asset Link completed in working out his future earnings when conducting its affordability assessment. He says he can't afford to the ongoing loan repayments and it's affecting his health.

Our investigator didn't recommend that Mr G's complaint be upheld. She was satisfied that Asset Link had likely completed proportionate checks, including using predicted future income, before lending to Mr G.

Mr G disagreed with this assessment. He maintained that Asset Link had acted unfairly when initially approving the loan. He also said he hadn't completed the course and was now struggling to repay the remainder of the loan.

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.

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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've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Bearing in mind the rules, regulations, guidance and good industry practice I will focus on two issues in particular when looking at Mr G's complaint. These are:

- Did Asset Link complete reasonable and proportionate checks to satisfy itself that Mr G would be able to repay the loan in a sustainable way? If so did it make a fair decision to lend? and
- 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 that Mr G would be able to repay the loan in a sustainable way? If so did it make a fair decision to lend?

Asset Link needed to take reasonable steps to ensure it responsibly lent to Mr G. The relevant rules, regulations and guidance at the time Asset Link lent required it to carry out reasonable and proportionate checks.

These checks needed to assess Mr G's ability to afford the loan and repay it sustainably over its term without causing him 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 the borrower's circumstances.

Under the relevant regulations at the time, Asset Link was entitled to rely on the expected future income for Mr G when making this assessment. This was on the basis 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.

Mr G says at the time of the application he was struggling financially. He says Asset Link didn't take this into proper consideration when approving the loan.

Asset Link says it completed reasonable and proportionate checks, including using statistical information based on his course of study. This also included consideration of Mr G's future income and career. It also says it completed a credit search on Mr G before approving the loan.

The credit report Mr G sent us showed he had a few existing credit commitments. This included a credit card and a bank account with an overdraft facility. From what I've seen there weren't any negative markers on his account, such as arrears, defaulting on credit or county court judgments. Mr G sent us evidence about some credit card arrears but that hadn't shown up on the credit checks I've seen. But I don't think that having a moderate level of arrears debt to be that uncommon for someone Mr G's situation. Mr G was after all a student and not working full time. So I'm not persuaded that had Asset Link been aware of this it would necessarily have been enough to prevent it from lending to him.

Asset Link considered that the £5 per month repayments that Mr G would have to pay whilst still in study to be affordable. The bank statements Mr G sent us also show this to be affordable in my view. I've noted that Mr G was making use of his overdraft and had other expenditure. Having an overdraft in place wouldn't be unusual for Mr G's circumstances as a student in study. Having noted his level of expenditure, I can't see that having to find an additional £5 per month would have had a significant impact on his overall financial circumstances.

Asset Link then went on to calculate Mr G's future expected income. It says based on the

information it had at the time that Mr G would be earning an annual income of around £22,500 six months after starting work. This would work out to a net monthly take home income of around £1,900 per month

Asset Link also calculated Mr G's expected outgoings, including his increased payments for this loan. This included £300 for credit repayments and around £900 for living costs. Asset Link therefore calculated that that Mr G would have disposable income of around £630 each month from which he'd be able to meet his loan repayments affordably.

I've considered Asset Link's arguments; and in this instance I am in general agreement.

Mr G was borrowing a reasonably substantial amount in relation to his future projected income. So the checks that Asset Link had to carry out needed to be proportionate to take account of this. As such I'm satisfied proportionate checks in this instance would've included obtaining a reasonable understanding of Mr G's circumstances.

As part of its checks, Asset Link also considered Mr G's likely future income. Asset Link has told us about the various data sources it used to help predict this. For the sake of clarity Asset Link says it used information from third parties (including the educational institutions which have been applied for) to gather the likely salary. It says it used this information plus Mr G's known credit commitments to conduct its future affordability assessment.

I've thought about all this information and in this instance, I'm satisfied its prediction of Mr G's affordability was proportionate. As I've said, based on Mr G's university and field of study, it predicted his likely income after graduation to be around £22,500 per year. Considering what Asset Link knew about Mr G's planned course of study, this figure seems reasonable. It may be different if the salary predicted was unreasonably high, but I'm satisfied that the projected salary was in line with most graduate starting salaries, and therefore I'm satisfied it was reasonable to rely on it.

Mr G says it wasn't fair for Asset Link to rely on his potential earnings when completing the initial affordability assessment, especially given that he didn't go on to complete the course he'd told them about but instead went into paid employment. But I consider Asset Link was entitled to rely on the future predicted earnings of Mr G when completing its assessment. Ultimately it has demonstrated that it has come to a reasonable figure (based on different sources of information); and it was exercising reasonable forbearance measures (such as by setting low, nominal payments during Mr G's the study period) until such time that Mr G ought reasonably to have achieved the predicted income. I'm therefore satisfied that Asset Link has acted fairly and in line with the relevant rules at the point it made the initial lending decision.

It follows that I'm also satisfied that Asset Link completed reasonable and proportionate checks before approving the loan. So I've concluded that it made a fair decision to lend.

The information which Asset Link gathered at the time demonstrated that Mr G would likely be able to afford the repayments during and after his studies had been completed. It had a reasonable prediction of what the future income and outgoings would be; and these demonstrated the loan was likely affordable.

Asset Link was entitled to rely on the information which Mr G provided and there doesn't appear to be any contradictory information which suggested it shouldn't. So, I'm satisfied it made a fair decision to lend.

I've also seen that Mr G considers that his father, who agreed to be his guarantor, didn't have the indemnity agreement he was signing properly explained to him and that there were

would have been a language difficulty. But from what I've seen the relevant information was provided to both Mr G and his father at the time and it was open to each of them to seek independent advice if they wished to. Without being notified of any particular concerns, I wouldn't expect Asset Link to have taken any further steps to explain the agreements before they were signed.

Did Asset Link act unfairly in any other way?

Mr G has told us he's struggling to meet his repayments under the loan. I've seen that Asset Link has asked Mr G to get in touch in order to gain a better understanding of his circumstances, and in particular his financial circumstances. At one point Mr G was asked to provide his income and expenditure details but as far as I can see he didn't do that. And I've not seen anything else that shows or suggests that Asset Link has acted unfairly in its handling of Mr G's account.

Overall, I'm satisfied that Asset Link acted fairly when approving Mr G for this loan. It follows that I do not uphold this complaint.

One final point I'd like to mention is Mr G's concern about the payments having increased from £326.29 per month to £335.45. I see this change dates back to November 2022. Although I can't see whether Mr G was given specific notice of this change, such an increase – which appears to be due to a slight change in the rate of interest – is provided for in the agreement, in which Asset Link reserves the right to vary the amount of the repayment. Mr G can if he wishes seek confirmation about this from Asset Link.

I appreciate this outcome will come as a disappointment to Mr G. I say this being very much aware of the concern and worry the loan and making this complaint has caused him and his own difficult health situation. I would of course like to remind Asset Link of its ongoing responsibilities to work with Mr G should he be struggling to meet repayments now.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 27 October 2023.

Michael Goldberg

Ombudsman