

Complaint

Mr W has complained about a loan Sky UK Limited ("Sky") provided to him. He says that the loan was unaffordable.

Background

In November 2021, Mr W purchased a mobile gadget. The purchase price of the gadget was £1,160.80. Mr W paid a deposit of £37 and Sky provided Mr W with a fixed-sum loan for the remaining £1,123.80 required to complete his purchase.

Mr W's loan was interest free and a term of 36 months. This meant that the total amount to be repaid of £1,123.80 (not including Mr W's deposit) was due to be repaid in 24 monthly instalments of £35.45 followed by 12 instalments of £22.75.

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

Mr W 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.

Having carefully considered everything, I've decided not to uphold Mr W's complaint. I'll explain why in a little more detail.

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 W's complaint.

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

Sky says it agreed to Mr W's application after he confirmed that he was in employment and that he could afford the payments. 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 W could afford to make the repayments he was committing to.

On the other hand, Mr W has said he should not have been provided with this loan.

I've carefully thought about what Mr W and Sky have said.

The first thing for me to say is that the information provided does suggest Mr W was asked to provide some details regarding being employed and Sky didn't just rely on what it was told as it carried out a credit search too.

Although Sky has been able to provide confirmation that this was done it has not been able to supply a copy of the results that it saw at the time. So while I accept that these checks might well have been carried out, without a record of what this showed, I'm simply not in a position to be able to agree that the checks carried out were reasonable and proportionate.

That said, given the circumstances here (24 monthly payments of roughly £35 followed by 12 monthly payments of around £22), I wouldn't have expected Sky to have done much more than a credit check.

I've considered the information Mr W has now provided with a view to determining what gathering such information, at the time, is likely to have shown Sky. Having done so, this information does not suggest that Mr W did not have the funds to make what was an incredibly low monthly payment here.

Indeed having some previous adverse credit information, on its own, is not necessarily a reason to decline any further credit to a consumer – particularly when the amount being advanced as well as the monthly payment required is low.

I accept that Mr W's actual circumstances may not have been fully reflected either in the information he's now provided, or the information Sky obtained. But given the information provided now doesn't clearly show that the loan was demonstrably unaffordable, I can't reasonably say that Barclays ought reasonably to have realised that was the case at the time.

As this is the case and bearing in mind everything, I don't think that Sky did anything wrong when deciding to lend to Mr W – reasonable and proportionate checks had they been carried out at the time, are more likely than not to have suggested the repayments were affordable for Mr W.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 10 June 2024.

Jeshen Narayanan
Ombudsman