The complaint

Mr M complains Bank of Ireland (UK) Plc trading as Post Office Financial Services (PO) are using their representative annual percentage rate (APR) on loans incorrectly.

What happened

Mr M applied for a personal loan of £20,000 with PO at an advertised representative APR of 5.8% - but was offered a loan at 10.3%. He said he fully understands the concept of a typical APR – but being someone with a top tier credit score, a homeowner, excellent employment history and low credit utilisation – he can only conclude there was "*unsavoury business practice going on*" when he was offered the higher rate.

PO said the interest rate was based on the information he provided in his application form and a subsequent credit check. They said this information is then checked against their own internal scorecard. They understood why Mr M wanted a specific reason for the APR on his loan, but they said their credit policy is commercially sensitive, so couldn't provide him with a specific reason. Overall, they didn't think they'd done anything wrong.

Unsatisfied with this answer, Mr M asked us to look into things. One of our Investigators did so, explaining we could only consider Mr M's specific complaint, not PO's overall approach to providing personal loans. And, having been provided the reason Mr M didn't qualify for the 5.8% rate in confidence, felt PO had treated him fairly.

Mr M didn't accept this, he said there was nothing wrong with his credit score, and PO are only not giving him the rate because it's less than the cost of the funds. He said they shouldn't be able to hook people in like this – and asked how many people had been given the lower rate of 5.8%. So, the complaint's been passed to me to decide.

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.

As a starting point I think I need to explain what our service can and can't do. Fundamentally, we can investigate Mr M's complaint as it pertains to his specific circumstances. What we can't do is require PO to change the way they advertise personal loans for all of their customers – that'd be something for the regulator the Financial Conduct Authority (FCA) to consider.

With that in mind, I need to focus on whether they've treated Mr M's application fairly, rather than how many applications made have been accepted for the 5.8% rate.

Mr M has told us and demonstrated he understands how a representative APR works. Essentially it simply means the rate PO have advertised is a rate he could get, but he could also get a higher rate depending on his circumstances.

Mr M hasn't disputed the APR he could get was shared with him when he applied online – but his actual dispute is that due to what he considers to be a perfect set of circumstances, PO haven't then given him the best rate.

To help me decide if PO have treated Mr M fairly against his circumstances, we need to know the reason he was given the higher rate. This isn't something our service can share with Mr M, as it's commercially sensitive. The rules set down by the FCA allow us to receive information in confidence like this.

I've reviewed that information, and I'm satisfied with what it contains. In summary it does show Mr M wasn't eligible for the 5.8% interest rate based on PO's checks.

I know Mr M wants the specific reason, and that's the point of his complaint – but this is the very issue I can't share. I don't doubt Mr M is genuine, but the more information of this kind that's shared the more chance there is of that information being used inappropriately / fraudulently by people who aren't genuine.

So, while I know Mr M will be disappointed, I'm satisfied he's fairly been offered the higher rate and I'm afraid we're not able to share with him the reason why.

My final decision

For the reasons I've explained above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 1 March 2024.

Jon Pearce
Ombudsman