

The complaint

Mr B says Plata Finance Limited irresponsibly lent to him.

What happened

Mr B took out a £10,000 loan over 36 months from Plata on 30 August 2022. The monthly repayments were £404.45 and the total repayable was £14,560.29.

Mr B says Plata lent to him at a very high interest rate at a time when he was vulnerable. It did not do enough checks. He wants the terms of the loan amended to reflect his actual financial position and all interest refunded/removed. He also wants Plata to change its lending policies so other people are not impacted in the same way.

Plata said it carried out appropriate checks before lending to Mr B and they showed the loan was affordable. It made a goodwill offer to waive two months of repayments given Mr B was now struggling, but stressed this relied on acceptance of this offer as full and final settlement of the complaint. Unhappy with this response Mr B brought his complaint to this service.

Our investigator did not uphold Mr B's complaint. He said Plata's checks were proportionate and did not show anything that ought to have concerned it prior to lending.

Mr B disagreed with this assessment and asked for an ombudsman's review. He said, in summary, Plata did a much more thorough analysis of his outgoings once he had repayment problems, why wasn't this done at application? He had not declared any dependents as his children did not live with him, but if more detail been requested it would have become clear he had financial obligations to them.

He feels his credit file does show financial strain as he was increasing his indebtedness using different products. The models the lender used do not seem to apply to his circumstances – had he the disposable income Plata said he would not have needed the loan. He did not approach Plata, it emailed him selling the loan as a solution to his debt problems. He did use it to repay one loan and reduce his credit card balance but is still struggling. He is not looking to nullify the loan, rather to repay it on fairer terms.

I reached the same conclusion as the investigator, but I made some different findings. So I issued a provisional decision to give both parties a chance to comment. An extract follows and forms part of this final decision. I asked for responses by 6 February 2024.

Extract from my provisional decision

I can see Plata asked for certain information from Mr B. It asked about his employment status, income, residential status and housing costs, marital status and number of dependents. It verified his declared income using an external tool. It completed a credit check to understand his credit history and existing commitments. It used national statistics to estimate Mr B's living costs based on his stated demographic. From these checks combined it concluded Mr B could afford the loan.

I am not persuaded these checks were proportionate based on the loan value, the amount Mr B was already spending on credit each month, and the value of the monthly repayments relative to his salary. I think in these circumstances Plata needed to carry out a fuller financial review to ensure giving the loan to Mr B would not cause him financial harm.

To understand what better checks would most likely have shown Plata I have reviewed Mr B's bank statements from the three months prior to his application. I am not saying Plata had to do exactly this but it is a reliable way for me to recreate what better checks would most likely have shown.

From them I can see Mr B's average monthly income at the time was £2,291.77. His monthly fixed costs averaged £938.36. In this I have included his insurances, telecoms, gym, rent (£500) and child support (between £320 and £300 at this time). His existing repayments to creditors averaged £868.95. But as he was repaying one loan (outstanding balance £3,822, monthly repayment £351.47) and £6,178 of his credit card debt that would reduce to around £610 (this new loan repayment of £404.45; 5% of a credit card balance that would have reduced to £1,491; and an existing loan with a monthly repayment of around £131). That would mean he had around £743 each month to cover transport, groceries, other variable living expenses and all discretionary spend. I think it would therefore have been reasonable for Plata to have made the same lending decision had it completed proportionate checks.

Mr B argues there were signs of financial strain on his credit file, but it showed he was up-to-date on all active accounts. He had only made one minimum payment in the last 12 months and was within his limit on his credit card. His bank statements also didn't show any of the typical signs of financial pressure such as use of payday loans, returned direct debts or the reliance on an overdraft.

Mr B also raised that Plata's methods are predatory offering high interest loans to vulnerable people. But I can see from the credit agreement that the interest rate and APR were set out clearly. And Mr B had to actively engage in the application process for the loan so I think it's likely that he was aware of what he was agreeing to pay. I haven't seen anything which makes me think that Plata treated Mr B unfairly or breached industry practice regarding interest charges. Equally I cannot see from the evidence that Plata was on notice that Mr B was vulnerable. So I don't find it omitted to respond to any specific needs it had been made aware of, or treated him unfairly as he claims.

It follows I don't find Plata was wrong to lend to Mr B.

Finally, Mr B asked we instruct Plata to change its lending policies, but that is not our role. We look at the merits of individual complaints, the regulator (the Financial Conduct Authority) is responsible for monitoring systems, processes and policies across the industry.

Neither party submitted any comments or new information in response to my provisional 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.

Our approach to unaffordable/irresponsible lending - including all the relevant rules, guidance and good industry practice - is set out on our website and I have followed it here.

As neither party responded to my provisional decision I have no reason to change the findings or outcome set out in it.

It follows for the reasons set out above I do not find Plata was wrong to lend to Mr B.

My final decision

I am not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 March 2024.

Rebecca Connelley
Ombudsman