



Woodville  
Litigation  
Funding

**IRRESPONSIBLE  
LENDING**



## WHAT IS IT?

### **Understanding Irresponsible Lending**

Irresponsible Lending is a widespread and systemic issue where financial institutions fail to conduct adequate affordability checks or knowingly extend credit to consumers who cannot reasonably afford repayments.

This malpractice created significant harm for individuals, while exposing lenders to regulatory sanctions and claims for financial redress.

# Irresponsible Lending

## - Key Features

### **Neglecting Warning Signs**

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Borrowers with high debt-to-income ratios, repeated payday loan usage, or maxed-out credit cards are often granted additional credit.

### **Lack of Affordability Assessments**

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Loans or credit are issued without verifying a borrower's ability to sustain repayments, often leading to unsustainable debt.

### **Systemic Vulnerability Exploitation**

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Financially vulnerable individuals are frequently targeted for high-interest loans or inappropriate credit products

### **Unsolicited Credit Increases**

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Lenders raise credit limits without consumer consent or adequate review of their financial standing.

# The Scale of The Problem

With millions of credit agreements issued annually, the claims market is conservatively valued in the tens of billions of pounds

## Potential Market for Claims

The Average Redress value for irresponsible lending claims is **£6,200**. With significant potential across various credit products:

### Average Redress

Credit Cards: £2,600

Car Finance: £3,800

Personal Loans: £6,200

## Rising Consumer Debt

UK Consumer debt stood at £203 billion as of 2017 and it continues to climb, driven by irresponsible lending practices.

A significant proportion of this debt is attributed to credit cards, personal loans, payday loans, and car finance agreement which are often issued without proper affordability assessments.

## Economic and Social Context

This market is expected to grow significantly through 2026 and beyond, as economic pressures continue to expose unsustainable lending practices.

Rising costs of living, inflation and stagnant wages are driving more into financial difficulty, amplifying the scale of irresponsible lending claims.

**The Financial Conduct Authority (FCA) has introduced strict rules around affordability assessments under CONC 5.2A, mandating that lenders assess a borrower's ability to repay without significant financial detriment**

Lenders frequently fail to meet these obligations, creating fertile ground for consumer claims.

Cases like Mr. Wilkinson (discussed on next slide) reveal systemic breaches, with lenders neglecting affordability checks and extending credit to already distressed consumers.



## **Regulatory and Legal Pressure**

# Case Study – Mr. Wilkinson

## A Case of Severe Irresponsible Lending

### 1. Debt Burden at the Time of Lending

- Total credit card debt across three existing accounts: **£6,200**.
- Approved Virgin Money credit Limit: **£1,500**
- Combined Total: **£7,700**, representing 68% of his annual income (£11,300)
- Monthly disposable income (post-essential expenses): **negative £250**, requiring borrowing just to meet living costs.

### 2. A Pattern of Neglect by Lenders

#### 12 months prior

- £4,000 in total credit limit increased across multiple accounts.
- Debt-to-income ratio increased from 48% to 68%, far beyond responsible lending thresholds.
- Utilisation on all accounts exceeded 90%, with one account exceeding the limit by £150 at the time of application.
- Three late payment entries recorded in his credit report, flagged by other lenders as “high risk”

# Case Study – Mr. Wilkinson

## Mr. Wilkinson's Financial Profile: A Case of Severe Irresponsible Lending

### 3. Payday Loans and Refinancing

Between 2018 and 2022, Mr. Wilkinson relied on:

14 payday loans, with an average APR exceeding 300%

Four refinanced personal loans, totaling £18,000, used to service other debts.

Evidence shows 40% of his monthly income was spent on minimum repayments, leaving him unable to cover essential expenses like rent and utilities.

### 4. Negligence by Virgin Money

Despite red flags, Virgin Money:

- Issued a new credit card with no affordability checks, extending his total credit exposure to £7,700.
- Increased his limit twice within six months, raising his debt-to-income ratio to 81%
- Failed to consider his reliance on payday loans or his long history of refinancing debt.

# Case Study – Mr. Wilkinson

## Mr. Wilkinson's Financial Profile: A Case of Severe Irresponsible Lending

### 5. Post-Lending Consequences

Within 6 Months:

Mr. Wilkinson missed two consecutive payments, triggering adverse credit entries on his report.

His Virgin Money balance reached £1,800, 20% over his approved limit due to interest and fees.

Within 2 Years:

Mr. Wilkinson accrued an additional £15,651 in unsecured personal loans, further exacerbating his financial distress.

He defaulted on three credit cards, totalling £9,000, including the Virgin Money Account

# Case Study – Mr. Wilkinson

## Mr. Wilkinson's Financial Profile: A Case of Severe Irresponsible Lending

### 6. Broader Financial Impact

Virgin Money's actions contributed to:


- Total financial losses to Mr. Wilkinson of over £3,200 in interest and fees within two years.
- A Negative credit spiral, where he lost access to affordable financial products, leaving payday loans as his only recourse.

**This detailed financial breakdown highlights the significant harm caused by Virgin Money's lack of due diligence, illustrating a clear breach of FCA affordability guidelines and a textbook case of systemic irresponsible lending.**



# The Systemic Nature of Irresponsible Lending

Irresponsible lending is not an issue of isolated misconduct but reflects system-wide failures driven by various factors such as:


- **Profit-Driven Practices:** Lenders prioritise short-term gains over long-term sustainability, leading to practices like unsolicited credit increases.
  - **Regulatory Loopholes:** Many lenders rely on outdated or superficial credit checks, ignoring deeper financial behaviours visible through modern tools like open banking.
  - **Consumer Vulnerability:** Vulnerable borrowers, including those reliant on payday loans or refinancing, are often targeted, exacerbating their financial hardship.
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- **Credit Card Utilization:** Many lenders fail to act when borrowers consistently exceed 80% of their credit limit, a key indicator of financial strain.
- **Repeated Debt Refinancing:** Patterns of using one loan to repay another are routinely overlooked, despite being a hallmark of financial distress



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## Comprehensive Financial Analysis

Using open banking, law firms securely extract up to 12 years of financial data, providing granular insights into:


- Disposable Income Trends
- Credit Utilisation Rates and Repayment Behaviours
- Patterns of payday loan usage and debt consolidation

## Advanced OCR Technology

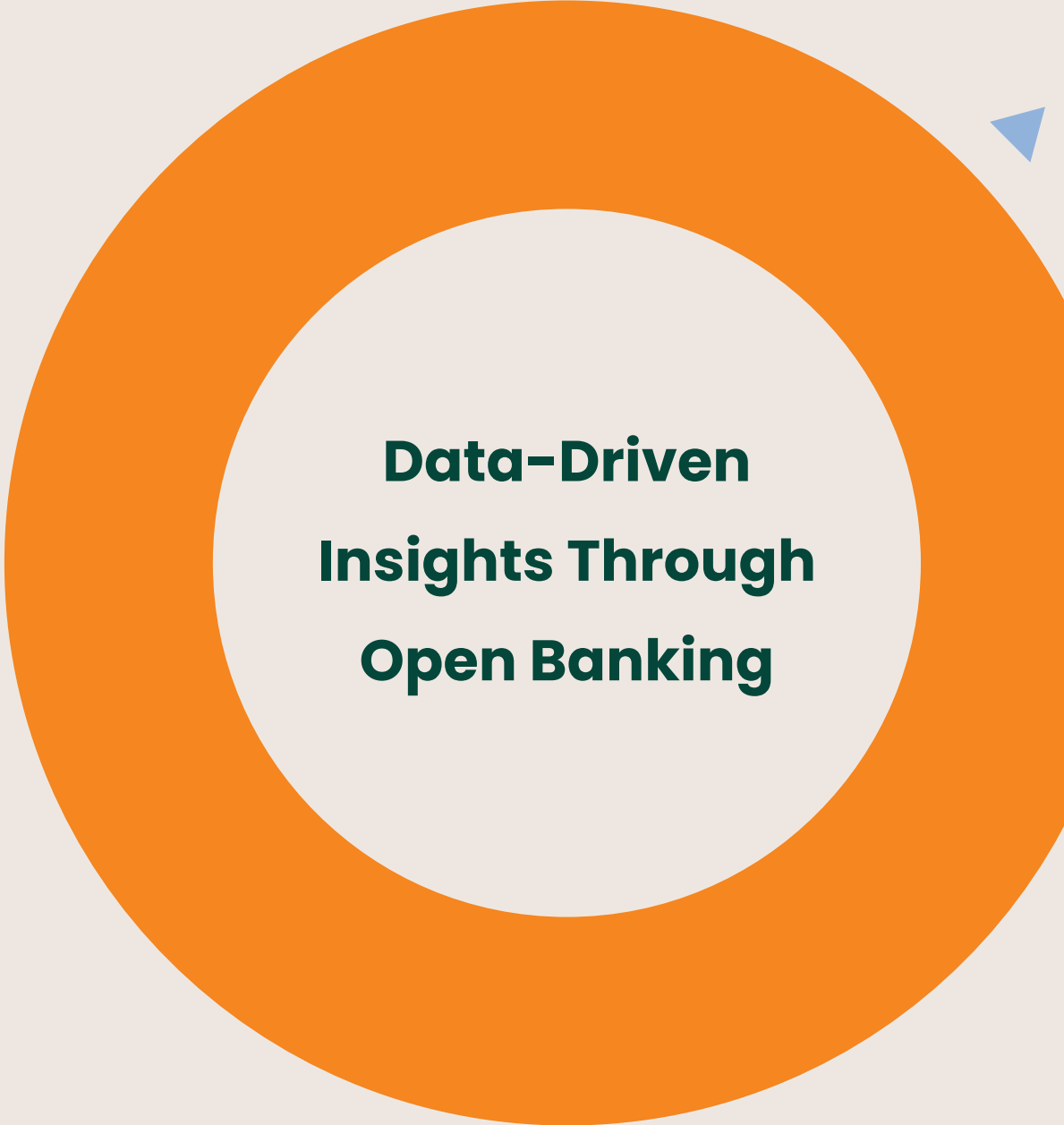
Optical Character Recognition (OCR) technology processes financial documents, credit reports, and statements to compile a complete financial history, leaving no gaps.

## Real-Time Red Flag Identification


AI Analyses transactional data to flag breaches such as lending beyond affordability, undisclosed commission payments, and patterns of financial distress,



**Advanced technology is used to  
redefine affordability assessments  
and case qualifications**



**Data-Driven  
Insights Through  
Open Banking**



A large orange circle with a white center. Inside the white center, the text "AI and Machine Learning in Case Qualification" is written in bold black font. There are two small dark green circles: one at the top right and one at the bottom left of the white center. The bottom left circle is a white ring with a dark green center.

## AI and Machine Learning in Case Qualification

**Our Law Firms have developed AI Frameworks trained on historical FOS decisions enabling:**

**Pre-Qualification of Claims:**

Cases are automatically assessed against criteria derived from thousands of upheld or rejected decisions, ensuring that only strong claims are pursued.

This process reduces operational risk and increases success rates.

**Automated Evidence Packaging:**

AI Tools generate detailed case files, complete with financial analysis, breach documentation, and compliance evidence, ready for submission to FOS or court.

### **Continuous Learning**

Machine Learning allows models to evolve as they are fed new case outcomes, ensuring ongoing optimisation of the claims process

### **Scalable Litigation and Operational Efficiency**

By leveraging AI, law firms can process thousands of claims efficiently, scaling operations without compromising on quality. This allows for:

- **Volume Litigation:** Target systemic issues at scale, holding entire sectors accountable.
- **Optimised Outcomes:** Minimising resistance from lenders through well-prepared, irrefutable evidence.

# **AI and Machine Learning in Case Qualification**

# MARKET OPPORTUNITY

With millions of potential claims and an average redress of £6,200.

The irresponsible lending market represents a multi-billion-pound opportunity

**Woodville is uniquely positioned to dominate this space through its:**

**Proven Technology:** Advanced AI and machine learning systems provide unmatched efficiency.

**Regulatory Alignment:** All processes are built around FCA guidelines, ensuring compliance and credibility.

**Scalable Model:** Woodville's technology allows for high-volume litigation, maximising returns on investment





**Thank You**