

The complaint

Miss H complains that Advancis Limited (trading as Buddy Loans) unfairly added her as guarantor to a loan. She says that the lender should have realised that she was being pressured into acting as a guarantor as a result of an abusive relationship.

What happened

Miss H acted as a guarantor for a loan taken out by a work colleague, who later became her partner. I will call him Mr X. She had previously acted as a guarantor for a loan given by Buddy Loans to Mr X around eight months before. That loan had been successfully repaid by being refinanced into another loan for which another party acted as guarantor.

Buddy Loans provided Mr X with a loan for £5,000 in February 2018 for which Miss H agreed to act as a guarantor. The loan in part refinanced some previous borrowing. Miss H electronically signed a Guarantee and Indemnity Agreement in relation to the loan. She also confirmed her agreement to acting as a guarantor during a telephone call with the lender.

Miss H says Mr X, who she is no longer in a relationship with, suffers from a gambling addiction. As a result she says she was pressured into providing him with financial support by guaranteeing his borrowing, from Buddy Loans and other lenders, and assisting him by regularly transferring funds. When Miss H made her complaint she said Mr X had started to threaten to stop paying the loan and so she would become liable under the guarantee she has given to Buddy Loans.

Miss H's complaint has been assessed by one of our adjudicators. She didn't think it was reasonable to conclude that Buddy Loans should have been aware that Miss H was being coerced into becoming a guarantor for the loan. So she didn't think the lender had done anything wrong, and so it shouldn't be required to release Miss H from the Guarantee and Indemnity Agreement.

Miss H didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

We've set out our approach to complaints of this nature on our website and I've kept this in mind while deciding Miss H's complaint.

At the outset I want to make it clear that I have no doubts that Miss H has provided us with her complete and honest recollections of what must have been a very difficult time for her. I am sorry if the questions we have needed to ask while investigating her complaint have caused her additional distress. But I am sure that she will understand why it is important for us to have a complete picture of her circumstances at the time.

What I need to decide here isn't whether what Miss H has told us is true – as I said earlier I have no doubts about that. What I need to decide is what I think the lender should reasonably have been aware of. And to decide if a reasonable lender would have reached the same conclusions as Buddy Loans did here, if it had that information. But to be clear, it isn't appropriate for me to consider here whether or not Buddy Loans should have given the loan to Mr X – that is matter between him and the lender. So I won't be looking at the checks Buddy Loans did, or should have done, to make sure Mr X could afford to repay the loan.

As I said in my introduction, Miss H had previously acted as guarantor on a loan that Mr X had taken from Buddy Loans. That loan had been refinanced and so Miss H's liability as guarantor had ended. I think it was reasonable for Buddy Loans to take some comfort from the fact that Miss H had given a similar agreement in the past.

Buddy Loans has given us recordings of a conversation it had with Miss H before she was added as a guarantor to the loan Mr X took in February 2018. There was no indication on that call that Miss H was facing any duress in providing the guarantee. I entirely accept what Miss H says about it not always being apparent what is happening behind the scenes. But I would have to apply a similar conclusion that this means it would be reasonable to conclude that the lender couldn't have known either the position in which Miss H found herself.

So whilst I have great sympathy for the position Miss H now finds herself in, I cannot fairly conclude that Buddy Loans did anything wrong when it accepted her as a guarantor for the loan it gave to Mr X. It follows that I don't think Buddy Loans should be required to release Miss H from the Guarantee and Indemnity Agreement she signed in relation to that loan.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against Advancis Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 26 November 2020.

Paul Reilly
Ombudsman