

The complaint

Mr C believes that 1st Stop Personal Loans Limited lent to him irresponsibly by providing him with an unaffordable loan.

What happened

Mr C took out a fixed sum loan around June 2015. Mr C doesn't think 1st Stop carried out the necessary checks on his financial situation before offering him the loan. He says that the loan offered was unaffordable for him, and that the loan has worsened his financial position.

1st Stop looked into this but think they carried out reasonable checks before providing Mr C with this borrowing. They also think that the loan was affordable at the time it was offered, and that the loan has not worsened Mr C's financial position. So, they didn't uphold Mr C's complaint. As Mr C remained unhappy, he referred the case to our service.

An investigator looked at this matter. He felt that this wasn't irresponsible lending and that 1st Stop did enough to check the affordability of the loan, and so he didn't uphold the complaint.

Mr C has now asked that his case be referred to an Ombudsman for a final 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.

I appreciate that Mr C thinks that his borrowing from 1st Stop is an example of irresponsible lending. However, having looked at all the evidence from both sides, I think that 1st Stop did enough to ensure they were lending responsibly and affordably here.

In saying this, I've taken into account the fact that this was a consolidation loan, taken out by Mr C on the agreement that it would be used to clear existing borrowing. The combined monthly repayment on this existing borrowing was around £644. When compared to the monthly repayment of the new loan, which was approximately £321, it is clear that Mr C's monthly repayment reduced because of this new loan by approximately £323.

As such, it is difficult for me to say that this worsened Mr C's position. A loan like this provides a structured way of repaying existing borrowing – often over a long term, but in a way that reduces the overall monthly payment due. I can see that's what this loan did here.

It's for a business to decide whether it will lend to someone and, if so, how much and on what terms. What we'd expect is that a lender carries out reasonable and proportionate checks as to the affordability of any lending. I think 1st Stop has done that here. They took details of Mr C's income and expenditure which showed that he could afford the loan at the time of the application. They also checked Mr C's credit file, alongside completing other internal checks. All of this showed 1st Stop that the loan was affordable to Mr C at that time, and I cannot fairly say that 1st Stop did anything wrong in reaching this conclusion.

I note Mr C's concern regarding 1st Stop considering him as being a guarantor for a family member when the opposite may have been true. This appears to have been an error by 1st Stop and I can see why that would be a worry for Mr C. However, I cannot agree with Mr C's position that his having a guarantor for one of his existing loans would demonstrate that he was overcommitted financially at that time. This is because the checks that 1st Stop carried out, as I have described above, showed clearly that the loan was affordable to Mr C at the time that it was applied for.

I do not feel that Mr C having a guarantor for one of his loans invalidates the information gathered by all of the checks undertaken by 1st Stop which demonstrated the affordability of the loan. I note that the company which issued the loan for which Mr C had a guarantor specialises in offering this type of guaranteed loan. So, I don't think that this was, on its own, a reason that Shawbrook shouldn't have lent here. It follows, therefore, that I will not be upholding this complaint, or asking 1st Stop to take any action at this time.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 31 December 2020.

Paul Cooper
Ombudsman