DRN-2527880

Financial Ombudsman Service

The complaint

Mr and Mrs I complain that OPLO HL Ltd trading as 1st Stop Secured Loans sold them a product with too high an interest rate and they didn't understand the implications of that. The lender didn't properly consider their expenditure including childcare costs.

What happened

Mr and Mrs I took out a secured loan for £25,000 with 1st Stop in 2016 with fees of £3,045. The purpose of the loan was debt consolidation. The loan period was intended to be 180 months with monthly payments of £451.58. The interest rate is described as 18% variable. Mr and Mrs I were introduced to the lender by a credit intermediary which, according to the mortgage illustration, recommended to Mr and Mrs I, having assessed their needs and circumstances, that they take out the second mortgage.

Mr and Mrs I complain that as a young couple they didn't understand the implications of what they were signing up to. They also say that this loan was unaffordable as there was expenditure that wasn't considered including childcare costs and expenditure on gambling. Our investigator didn't recommend that this complaint should be upheld as the lender had conducted an affordability assessment which looked at all aspects of Mr and Mrs I's income and expenditure. Mr and Mrs I disagreed and asked for a review.

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.

Mr and Mrs I were introduced to 1st Stop by a credit intermediary. This is significant as 1st Stop didn't recommend this product to Mr and Mrs I and isn't responsible for assessing their needs and circumstances before reaching a recommendation. So, the lender isn't required to assess whether the product or indeed debt consolidation was suitable for Mr and Mrs I. 1st Stop is in effect offering a product and it's a matter for Mr and Mrs I, advised by the intermediary, if they want to buy it. But 1st Stop isn't recommending it to them. So, although Mr and Mrs I may complain about the rate of interest that the lender charges, Mr and Mrs I have chosen to pay that rate and I can't fairly require 1st Stop to amend the rate of interest if that's the agreed rate.

But 1st Stop has responsibilities to ensure that the information it provides is clear so that Mr and Mrs I understand what they are signing up to. It's also responsible for conducting an affordability assessment to satisfy itself that Mr and Mrs I can afford the product. It then has responsibilities to Mr and Mrs I if they fall into financial difficulties during the course of the loan.
I've seen the information that 1st Stop provided on the details of the loan and the implications of debt consolidation. Mr and Mrs I say that he loan was unaffordable. The purpose of the loan was to consolidate debts. Mr and Mrs I are a young couple having recently bought a house. That would be a period when it's reasonable to expect they would accumulate an amount of debt - I note some of the original debt appears to be related to the wedding - and a debt consolidation loan may be a way of dealing with these debts. The monthly payments

are lower than they would have been paying towards the original debt - in this case it was by £164.63 - but they are spread over a longer period. In effect, 1st Stop was providing the facility but the decision to do it rested with Mr and Mrs I and their advisers. But I'm satisfied that the lender complied with its obligation to alert Mr and Mrs I to what they were doing.

The other issue is how robust the lender's affordability assessment was. The evidence on file is that 1st Stop obtained and checked information from a number of sources - the client's information, payslips, bank accounts etc. to assess the affordability of the payments. 1st Stop worked out that the amount of free cash was £842.13 that would allow a monthly payment of £451.88. This was a saving on the previous monthly payments of £694.

Mr and Mrs I make a number of points about this. Firstly, that their gambling expenditure wasn't accounted for. But the evidence is that 1st Stop picked this up and included it in the assessment, Secondly, as regards income, that Mrs I's probationary period in her job wasn't picked up but I do see a reference to that, so I can't agree that it was ignored. Thirdly that Mrs I's impending maternity leave wasn't picked up. But I can't see how that would have been picked up by the lender unless it was declared to it, which it doesn't appear to have been.

I understand that childcare costs seem to be at the core of Mr and Mrs I's complaints. 1st Stop's assessment is made with the childcare costs of £120 per month. These were the costs 1st Stop was advised about. I note Mrs I refers to a childcare bill of £800 per month "which *was not considered* ". But the lender isn't told about that bill and as far as I could see there was nothing in the bank statements that which suggest those were the childcare costs at the time which should have alerted the lender to these much higher costs. As the lender wasn't made aware of these and I don't consider that it could reasonably have been aware of them, I can't fairly find the lender at fault for not including them in the affordability assessment. On the other hand, I'm satisfied that 1st Stop made a reasonable assessment of the affordability of the loan with the information it had, and that loan was affordable. Although I have sympathy for Mr and Mrs I, for the reasons I've set out I can't fairly uphold this complaint.

I note that Mr and Mrs I are in financial difficulties and the lender has a responsibility to deal with them positively and sympathetically. I've seen no evidence to date that this isn't the case but would remind the lender that this is a continuing duty it owes to Mr and Mrs I.

My final decision

My decision is that I do not uphold this complaint
Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs I and Mr I to accept or reject my decision before 12 May 2021.

Gerard McManus
Ombudsman