

The complaint

Mr P complains that TFS Loans Limited (“TFS Loans”) lent him a loan he couldn’t afford.

What happened

The details of this complaint are well known to both parties, so I won’t repeat them all again here.

TFS Loans lent Mr P a loan of £5,000 in July 2017, this is not in dispute, so I’ll focus on giving the reasons for my decision about this loan.

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.

Having done so, I agree with the conclusions reached by the investigator for these reasons:

- TFS Loans says it carried out proportionate checks before agreeing to lend to Mr P. It says it called Mr P to ask about his expenditure, verified his income using a payslip and carried out a credit search. It says based on what it gathered the loan was affordable.
- From what I can see, this loan was due to be repaid over 60 monthly instalments of around £195.46, given the length of the loan commitment and size of the loan, I would have expected to TFS Loans to ask Mr P more about his expenses including verifying some of the information he provided. I can also see from the credit search that Mr P had six credit card accounts that all had recent history of arrears. His overall unsecured debt was also quite high, and the amount he was repaying in credit commitments including this repayment to TFS Loans represented a significant proportion of his income. I think on seeing this, it ought to have prompted TFS Loans to find out more. I can’t see that it did this or verify any of Mr P’s expenditure and so I don’t think its checks went far enough.
- Mr P has provided copies of his bank statements from around the time of the loan. I’ve relied on this in the absence of information from TFS Loans at the time of the loan as I think his bank statements provide a clear picture about his actual financial circumstances at the time. From what I can see, Mr P was gambling regularly, and a significant amount of his expenditure was going on this. It is clear from seeing this that Mr P was having problems managing his finances. I think if TFS had carried out further checks it would have uncovered this and not given him the loan.
- In the circumstances, TFS Loans lent to Mr P when it shouldn’t have, and it needs to put things right.

Putting things right

While I think TFS Loans shouldn't have lent to Mr P, I think it will be fair for him to repay the capital of £5,000 which he borrowed. So, to put things right, TFS Loans should:

- add up all the payments made by Mr P, if it exceeds the capital amount of £5,000, then the overpayments plus 8% simple interest* should be paid to Mr P, remove any adverse information recorded on Mr P's credit file as a result of this loan.

*HM Revenue & Customs requires TFS Loans to deduct tax from the interest payment referred to above. TFS Loans must give Mr P a certificate showing how much tax it's deducted if he asks it for one.

My final decision

My final decision is that this complaint should be upheld and direct TFS Loans Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 12 January 2022.

Mark Richardson
Ombudsman