DRN-3109804

The complaint

Ms D has complained that 1st Stop Personal Loans Limited (This was a trading name used at the time by a business called Oplo PL Ltd) provided her with an unaffordable loan.

What happened

1st Stop provided Ms D with a personal loan of £10,000.00 in July 2019. This loan had a 36-month term with a monthly repayment amount of £400.78. This all meant the total amount repayable of £14,428 was due to be repaid.

One of our investigators looked at this complaint and didn't uphold Ms D's complaint. She concluded that 1st Stop carried out proportionate checks and made a fair lending decision based on what it had in front of it.

Ms D disagreed with our investigator and asked for an ombudsman to review the complaint.

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 general approach to complaints about unaffordable/irresponsible lending - including the key rules, guidance and good industry practice - on our website. And I've referred to this when deciding Ms D's complaint.

Having carefully thought about everything, I think that there are overarching questions that I need to answer in order to fairly and reasonably decide Ms D's complaint. These questions are:

- Did 1st Stop complete reasonable and proportionate checks to satisfy itself that Ms D would be able to repay her loan in a sustainable way?
- If so, did it make a fair lending decision?
- If not, would those checks have shown that Ms D would've been able to do so?

1st Stop provided this loan while it was authorised and regulated by the Financial Conduct Authority ("FCA"). The rules and regulations in place required 1st Stop to carry out a reasonable and proportionate assessment of Ms D's ability to make the repayments under this agreement. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower" focused – so 1st Stop had to think about whether repaying the loan would cause significant adverse consequences *for Ms D*. In practice this meant that 1st Stop had to ensure that making the payments to the loan wouldn't cause Ms D undue difficulty or adverse consequences.

In other words, it wasn't enough for 1st Stop to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Ms D. Checks also had to be "proportionate" to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount / type / cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

the *lower* a customer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);

the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);

the *longer* the term of the loan (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make payments for an extended period); and

the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may also be other factors which could influence how detailed a proportionate check should've been for a given loan application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances.

I've carefully thought about all of the relevant factors in this case.

what checks did 1st Stop do?

1st Stop gathered some information from Ms D before it agreed the loan. It asked her for details of her income. Ms D said this was £4200 and 1st Stop verified this by looking at an online income verification tool.

1st Stop then used Office of National Statistics (ONS) data to assess Ms D's monthly general living expenses and it worked this out to be £590. It then ran a credit search and could see that Ms D had credit commitments of around £1491 a month.

1st Stop worked out that this left Ms D with disposable income which meant that the monthly contractual instalments of around £401 that she had signed up to make on this loan should have been comfortably affordable for her. It also made notes on her credit search results and says it didn't see anything that it felt demonstrated that Ms D was having any financial problems.

did 1st Stop do proportionate checks?

I've carefully considered whether the information that 1st Stop gathered at the time should reasonably have triggered further checks. On balance, I don't think that the information 1st Stop had collected about Ms D's financial situation was enough to prompt a reasonable lender to think it needed to do further or more in-depth checking.

The credit report that 1st Stop acquired showed very little credit impairment at that time. There were some accounts that had been in arrears, but Ms D had settled these. On balance, I think based on the checks it carried out that there wasn't anything that would have alerted it to wanting to find out more. So, I think the checks it carried out were proportionate.

did 1st Stop make a fair lending decision?

Taking things as a whole, I think it would have been reasonable for 1st Stop to consider that the monthly repayments on its loan were affordable for Ms D – allowing for the amount it had assessed to be her disposal income.

I've needed to see whether 1st Stop made a fair lending decision based on what it had in front of it, and from what I have seen, I think it did.

Overall, I think the checks that 1st Stop carried out before lending to Ms D were reasonable and proportionate. I think it was reasonable in the circumstances for 1st Stop to have relied on the information that Ms D provided and what it found in its checks - and this was enough to enable 1st Stop to gain a reasonable understanding of his financial situation and see that Ms D appeared to be managing her money without any significant payment problems. I don't think more in-depth checks – such as requesting bank statements were required.

So, I haven't seen enough to be able to uphold Ms D's irresponsible lending complaint.

In conclusion, I do not uphold Ms D's complaint.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against Oplo PL Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 22 February 2022.

Mark Richardson
Ombudsman