

The complaint

Ms B complains that TFS Loans Limited (“TFS Loans”) lent her a loan she 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 Ms B a loan of £5,000 in January 2019, 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

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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 Ms B. It says it called Ms B to ask about her expenditure, verified her income using an online income verifier 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 36 monthly instalments of around £223.60, given the length of the loan commitment and size of the loan, I would have expected to TFS Loans to ask Ms B about her monthly income and expenses including verifying some of the information she provided. I can also see from the credit search that Ms B had a number of defaults and County Court Judgements. Although I acknowledge TFS Loans point that these were from a number of years before the loan application, there were outstanding balances on most of them. 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 Ms B’s expenditure and so I don’t think its checks went far enough.
- Ms B has provided copies of her 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 her bank statements provide a clear picture about her actual financial circumstances at the time. From what I can see, Ms B was gambling regularly, and a significant amount of her expenditure was going on this. It is clear from seeing this that Ms B was having problems managing her finances. I think if TFS had carried out further checks it would have uncovered this and not given her the loan.
- In the circumstances, TFS Loans lent to Ms B when it shouldn’t have, and it needs to put things right.

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Putting things right

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

- add up all the payments made by Ms B, if it exceeds the capital amount of £5,000, then the overpayments plus 8% simple interest* should be paid to Ms B, remove any adverse information recorded on Ms B' 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 Ms B a certificate showing how much tax it's deducted if she 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 Ms B to accept or reject my decision before 28 December 2021.

Mark Richardson
Ombudsman