

The complaint

Ms G complained that 1Plus1 Loans Limited trading as 1Plus1 Loans lent to her irresponsibly and provided her with an unaffordable loan.

What happened

Ms G was given a loan by 1Plus1 as follows:

| Date taken | Loan status | Number of monthly instalments | Loan amount | Monthly repayment* | Total payable |
|--------------|-------------|-------------------------------|-------------|--------------------|---------------|
| October 2016 | Paid | 36 | £3,000 | £140.84 | £5,070.24 |

One of our investigators reviewed Ms G's complaint. She didn't think that 1Plus1 should've provided the loan and so she recommended upholding the complaint and set out the steps 1Plus1 needed to take to put things right.

1Plus1 disagreed with our investigator's view. In summary, it mainly said the amount of Ms G's outstanding debt was extremely low at around £1,900. Also, she was in payment arrangements so it looked like she was taking steps to improve her financial situation. It had also allowed for two guarantor loans she was paying and it was satisfied that its affordability assessment showed this loan was affordable for Ms G. So 1Plus1 didn't agree it had done anything wrong.

As the complaint hasn't been resolved, it comes to me to decide.

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 approach to unaffordable/irresponsible lending complaints on our website and I've kept this in mind while deciding this complaint. I have also taken into consideration regulatory rules and good industry practice at the time.

I'd like to reassure 1Plus1 that I've looked at the complaint afresh – and I've independently reached the same conclusions as our investigator and I am upholding Ms G's complaint for broadly the same reasons. I'll explain in more detail why I say this.

The rules don't say what a lender should look at before agreeing to lend. But reasonable and proportionate checks should be carried out. Lenders must work out if a borrower can sustainably afford the loan repayments alongside other reasonable expenses the borrower also has to pay. This should include more than just checking that the loan payments look affordable on a strict pounds and pence calculation – a proportionate check might also

require the lender to find out the borrower's credit history and/or take further steps to verify the borrower's overall financial situation.

If reasonable and proportionate checks weren't carried out, I need to consider if a loan would've been approved if the checks had been done. If proportionate checks were done and a loan looks affordable, a lender still needs to think about whether there's any other reason why it would be irresponsible or unfair to lend. For example, if the lender should've realised that the loan was likely to lead to significant adverse consequences or more money problems for a borrower who is already struggling with debt that can't be repaid in a sustainable way.

1Plus1 asked Ms G about her income and expenses, it carried out credit checks and did an electronic check to verify her pay. It also took into account statistical information when comparing Ms G's declared expenditure against national data showing typical spending for someone in the same situation.

1Plus1 recorded a figure of £1,325 net salary per month. After doing its own background checks and allowing for what she would need to spend each month, 1Plus1 worked out that Ms G should still have been left with much more than the monthly repayment, plus a buffer of at least £100 for emergencies. So this led 1Plus1 to conclude that the loan was affordable for Ms G.

I've taken carefully into account everything 1Plus1 has said in response to our investigator's view about the way it assessed affordability. And I've thought carefully about what I think a responsible lender should have made of all this information and in particular whether it was enough for 1Plus1 to make a fair decision to lend.

Our investigator thought 1Plus1 needed to do further checks before agreeing this loan. 1Plus1 disagrees on this point. But I don't need to say more about the checks 1Plus1 did because this makes no difference to the outcome of this complaint. I think the checks 1Plus1 did carry out meant the lender already had enough information in front of it to realise that this loan looked unsustainable for Ms G.

I say this because 1Plus1 had information showing that Ms G already had serious money management problems. She was repaying £20 per month towards a £963 credit card debt that had been passed to a debt collector.

She had three other defaulted accounts showing and although the balances weren't substantial, Ms G was paying just £1 per month to each. She told 1Plus1 she had already taken out two other loans that year. These don't appear to show on the credit report 1Plus1 obtained so the amounts owing were unknown – although it calls into question the total indebtedness figure of £1,900 1Plus1 has mentioned. One loan was taken out around seven months earlier and the other just three months before applying for this loan.

Keeping in mind that Ms G had said she shared her household costs, I think 1Plus1 should have realised that there was no obvious explanation for Ms G's problematic debt or why someone with the level of income it had established that Ms G received should apparently need to rely to this extent on obtaining expensive credit.

Like our investigator, I think this credit history showed that Ms G's finances were under significant stress and that the reality of her situation was that this additional debt would be unmanageable for her. Whilst I've carefully taken into account what 1Plus1 has said about the relatively low amount of Ms G's total indebtedness, I think this makes her money problems more difficult to understand and further demonstrates the unlikelihood that Ms G had the amount of spare cash each month that its affordability check suggested - or indeed,

any surplus at all. I think it's also fair to say that as it seemed Ms G's existing creditors had agreed to accept nominal payments only towards her outstanding accounts, this was yet another warning sign that she didn't have any spare income.

I don't think 1Plus1 was reasonably able to say that the information it gathered supported its lending decision or that it saw enough to be satisfied that Ms G would be able to sustainably afford to make the repayments of around £140 for its loan when the indications were that she couldn't afford more than token payments towards existing accounts.

As well as this, by my estimate, when she signed up to pay this loan Ms G was committing to paying almost a third of her take home pay just on servicing her loans and the credit card that was in debt collection – which she was likely to be paying for the whole of the duration of this three year loan term if repayments were kept at just £20 per month. I think that this was such a significant proportion of Ms G's monthly income 1Plus1 couldn't reasonably say that it was likely that she would be able to repay its loan in a sustainable way.

For all these reasons, I can't reasonably say that 1Plus1 made a fair lending decision based on the information in front of it and I don't think it should have agreed to provide this loan to Ms G.

In coming to my decision I've thought carefully about everything 1Plus1 has said, including its detailed responses to our investigator's view. I appreciate the time 1Plus1 has spent setting out its position in some detail. I acknowledge that 1Plus1 has taken a different view to me and if I have not referred to each point raised it's because I have nothing further I can usefully add to what our investigator has said already. I have concentrated on what I consider to be the main points that affect the outcome of this complaint. I appreciate that my decision will be disappointing for 1Plus1 but I hope that setting things out as I've done helps to explain how I've reached my conclusions.

As Ms G has been further indebted with a high amount of interest and charges on a loan that she shouldn't have been provided with, I'm satisfied that she has lost out as a result of what 1Plus1 did wrong.

So, 1Plus1 needs to put things right.

Putting things right

Our investigator didn't recommend that 1Plus1 should pay any additional redress. Ms G hasn't commented on that and I haven't seen anything which makes me think 1Plus1 acted unfairly towards Ms G in any other way. So I'm not awarding any additional redress.

And I think it is fair and reasonable for Ms G to repay the capital amount that she borrowed, because she had the benefit of that lending.

But she has been charged extra for a loan that should not have been provided to her. In line with this Service's approach, Ms G shouldn't repay more than the capital amount she borrowed.

1Plus1 should do the following:

- add up the total amount of money Ms G received as a result of having been given this loan. The repayments Ms G made should be deducted from this amount.
- If this results in Ms G having paid more than she received, then any overpayments

should be refunded along with 8% simple interest* (calculated from the date the overpayments were made until the date of settlement).

- If any capital balance remains outstanding, then 1Plus1 should attempt to arrange an affordable/suitable payment plan with Ms G.
- Whilst it's fair that Ms G's credit file is an accurate reflection of her financial history, it's unfair that she should be disadvantaged by any adverse information recorded about a loan that was unfairly provided. So 1Plus1 should remove any negative information recorded on Ms G's credit file regarding the loan.

*HM Revenue & Customs requires 1Plus1 to deduct tax from this interest. 1Plus1 should give Ms G a certificate showing how much tax has been deducted if she asks for one.

My final decision

I uphold Ms G's complaint and direct 1Plus1 Loans Limited trading as 1Plus1 Loans to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 23 March 2022.

Susan Webb
Ombudsman