

The complaint

Mrs H complains that 1Plus1 Loans Limited ("1Plus1") 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.

1Plus1 lent Mrs H £5000 in November 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.

The investigator concluded 1Plus1 did not make a fair lending decision. I agree with the investigator's findings for these reasons:

- 1Plus1 says it carried out proportionate checks before agreeing to lend to Mrs H. It says it asked her about her income and expenditure on the phone as well as go through a credit search. It also used Office of National Statistics (ONS) data and an online verification tool. It used the information it gathered to assess the affordability of the loan for Mrs H.
- The loan was due to be repaid over 60 monthly instalments of around £190 and 1Plus1 says Mrs H asked for the loan for debt consolidation. When I look at 1Plus1 calculations, I can see that, on the surface of it, it had worked out that Mrs H would have enough disposable income to afford the loan repayments. But like the investigator, on balance I don't think 1Plus1 made a fair lending decision with what it had in front of it.
- I say this because when I look through the credit search results, I can see that Mrs H had 6 defaults recorded against her name and all of these had outstanding balances that had to be repaid. One default had only been incurred by Mrs H a month before she requested a loan from 1Plus1.
- I can see that 1Plus1 asked Mrs H about these defaults and recorded down what she said. But I don't think 1Plus1 acted on the information that it had in front of it. Instead it assessed what Mrs H was telling it and whether she could afford the loan strictly on a pounds and pence basis.
- As well as having the defaults recorded against her name, Mrs H also had another high cost credit loan and overall, along with the repayment for this loan and other debt, she would be committing to around 36% of her income to credit repayments. I think 1Plus1 would've seen with what it had in front of it that she was unable to repay

the credit commitments that she had already taken out. She had consistently defaulted on accounts and I can't see how 1Plus1 would have taken any assurance from this or what Mrs H had told it when it was assessing whether she would be able to repay the monthly instalments on this loan, over the 5 year term, in a sustainable way. And, in these circumstances, 1Plus1 should reasonably have concluded that it was not fair to lend to Mrs H.

- So, it follows that I uphold Mrs H's complaint. 1Plus1 now needs to put things right.

Putting things right

While I think 1Plus1 shouldn't have lent to Mrs H, I think it will be fair for her to repay the capital of £5000 which she borrowed. So, to put things right, 1Plus1 should:

- add up all the payments made by Mrs H, if it exceeds the capital amount of £5000, then the overpayments plus 8% simple interest* should be paid to Mrs H, remove any adverse information recorded on Mrs H's credit file as a result of this loan.
- If there is a balance outstanding, 1Plus1 should treat Mrs H fairly and look to arrange a payment plan that is affordable for her.

*HM Revenue & Customs requires 1Plus1 to deduct tax from the interest payment referred to above. 1Plus1 must give Mrs H 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 1Plus1 Loans Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 25 April 2022.

Mark Richardson
Ombudsman