

The complaint

Mr G complains 1Plus1 Loans Limited acted unfairly by accepting him as a guarantor for a loan taken out by a third party ('the borrower').

What happened

1Plus1 Loans approved the borrower for a loan of £10,000. The term of the loan was 60 months, with repayments of approximately £380. Mr G stands as the guarantor for this loan. Mr G complains 1Plus1 Loans did not complete reasonable and proportionate checks on the borrower before approving the loan. He says had 1Plus1 Loans done this; it would've known the borrower could not afford the loan and not approved it for them. Mr G says he would not have stood as guarantor had he known the full extent of the borrower's circumstances; and says that 1Plus1 Loans failed in its necessary obligations. Mr G says he has lost out financially as he has had to make all of the repayments towards this loan as the borrower has not made any payments.

Our investigator upheld the complaint. She felt 1Plus1 Loans' checks demonstrated that the borrower should not have been lent too. She therefore felt that Mr G should not have been agreed to act as a guarantor to the loan.

1Plus1 Loans disagreed with our investigator. It maintained it had completed reasonable and proportionate checks on the borrower; and this had shown that it was likely affordable to them. 1Plus1 Loans also says the checks it completed on Mr G were reasonable and proportionate; and demonstrate that he too could afford the loan repayments. 1Plus1 Loans therefore says it has acted fairly in relation to this loan and its lending decision.

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 complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. I've used this approach to help me decide this complaint.

Mr G's complaint centres on the checks which 1Plus1 Loans completed on the borrower. He says 1Plus1 Loans did not complete proportionate checks on the borrower; and had it done so it would not have made its decision to lend to them.

1Plus1 Loans is aware that it needed to complete reasonable and proportionate checks on the borrower before it approved the loan. We've set out our thinking on proportionality in a number of decisions, but generally speaking these checks needed to be proportionate to the amount of credit being provided including the total amount of credit, amount of repayments and total length of the term. There isn't a set list of what checks 1Plus1 Loans had to complete; but examples can be completing income and expenditure assessments and searching credit files. In addition to that, it isn't enough for 1Plus1 Loans to complete the

checks, it also needs to carefully consider the information which is provided before approving any loans.

1Plus1 Loans needed to ensure any decision it makes is fair; and that the borrower could afford any repayments sustainably. That means without having to borrow further to repay any debt or to incur further financial difficulties.

It is also worth stating that even though this loan had an additional security in the form of a guarantor, it in no way lessened the obligations on 1Plus1 Loans when it came to the checks and decision it made in relation to the borrower.

I've carefully considered what 1Plus1 Loans has told our service about the checks it completed on the borrower. And having done so I'm satisfied there was sufficient information to suggest that 1Plus1 Loans' decision to lend to them was unfair.

The checks demonstrated that at the time of the application the borrower had a large amount of existing credit; and in particular that there was a likely reliance on credit to balance their finances. The existing credit was made up of a number of different products, across a number of different providers. The information 1Plus1 Loans has provided also demonstrates it should've reasonably been aware of the various elements of the borrower's income; and that this may not have been sustainable without other forms of credit supplementing it. There is also a strong likelihood the borrower was already relying a guarantor loan with Mr G acting as the guarantor.

As mentioned above 1Plus1 Loans is aware it needs to ensure any lending was sustainable to the borrower. It needed to ensure the lending wasn't going to lead to the borrower having to borrow further to make repayments. Looking at the information which was provided I'm satisfied the borrower had already demonstrated a pattern of doing this previously; and they were likely to have to do so again in this instance too. And as such, considering the already high level of debt the borrower had, as well as the pattern of borrowing further to repay these commitments; I'm satisfied any further lending was likely unsustainable for the borrower. As such I'm satisfied its decision to lend to the borrower was unreasonable.

Whilst I acknowledge 1Plus1 Loans' arguments in relation to Mr G's affordability; it follows that as I'm not persuaded 1Plus1 Loans acted fairly in providing the borrower with the loan in the first instance; I'm satisfied that any finding I could make on Mr G's affordability would not materially alter the outcome of this complaint. That is to say, Mr G should not have been accepted as a guarantor for a loan that was not correctly approved in the first instance. As such I make no finding into the arguments made by 1Plus1 Loans in relation to Mr G.

Putting things right

Mr G has lost out financially as a result of 1Plus1 Loans' actions. He has had to make repayments including interest and charges.

In order to put things right I require 1Plus1 Loans Limited to:

- Release Mr G from any obligations he has under the guaranty and indemnity agreement; and then terminate it;
- To refund any repayments Mr G has made towards this loan, with 8% simple interest from the date of the payment to the date of the settlement;*
- To remove any information recorded on Mr G's credit file in relation to this loan.

* HM Revenue & Customs requires 1Plus1 Loans Limited to take off tax from this interest. 1Plus1 Loans Limited must give Mr G a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that I uphold this complaint against 1Plus1 Loans limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 29 June 2022.

Tom Whittington
Ombudsman