

The complaint

Miss L complains that Everyday Lending Limited trading as Trusttwo shouldn't have allowed her to be a guarantor for two loans.

What happened

In December 2018, Miss L agreed to stand as a guarantor for a loan of £2,000 that Ms P had with Trusttwo. The loan was to be repaid over 36 months with a monthly repayment of £97.63. In April 2019, Miss L agreed to stand as a guarantor on a "top up" loan for Ms P again with Trusttwo this time for £10,000 over 60 months with a monthly repayment of £395.52.

When Ms P stopped making the repayments, Miss L as the guarantor was asked to step in to meet the monthly commitment. Miss L said she'd been coerced by Ms P when she was in a vulnerable situation into agreeing to be the guarantor. She said she'd her own financial commitments and had been persuaded by Ms P to say she lived with her parents when she'd recently moved into her own home. She complained to Trusttwo.

Trusttwo said they'd checked Miss L's credit file and verified her income and bank details. They'd also carried out an affordability assessment and said the loans were affordable and sustainable for Miss L as the guarantor. Miss L wasn't happy with Trusttwo's response and referred her complaint to us.

Our investigator looked at the complaint but didn't think Trusttwo had done anything wrong in allowing Miss L to act as a guarantor on the loans. He said he'd listened to the calls and there wasn't any evidence of coercion. Miss L disagreed and asked for the complaint to be considered by an ombudsman.

I issued a provisional decision in February 2022 that said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so I'm currently minded to partially uphold this complaint. I'll explain why.

Trusttwo had responsibility for ensuring that the loan repayments would be affordable and sustainable for Miss L before agreeing that she could be the guarantor for them. This meant that Trusttwo needed to carry out proportionate checks to be able to understand whether Miss L could afford to make all the loan payments in the event she had to.

I've considered the relevant rules, guidance and good industry practice when someone complains about irresponsible and/or unaffordable lending. There's no set list for what reasonable and proportionate checks are. But I'd expect lenders to consider the specific circumstances of the loan application. What constitutes a proportionate affordability check will generally depend on several factors such as financial history, current situation and whether there are any indications of vulnerability or financial difficulty.

But there are factors which could influence how detailed a proportionate check should be for a given loan application. Consideration should be given to the amount, type and cost of credit that they would be guaranteeing. For example:

- the consumer'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 amount from a particular level of income); and*
- the longer the term of the loan (reflecting the fact that the total cost of the credit is likely to be greater and the consumer is required to make payments for an extended period).*

So, I've considered whether Trusttwo did what they needed to before agreeing to Miss L being a guarantor for either or both of the loans.

Loan One.

In December 2018, Miss L was asked to be a guarantor for Ms P. The loan was for £2,000 payable over 36 months with a monthly repayment of £97.63. Trusttwo carried out an affordability assessment for both Ms P and Miss L. I can see from their assessment for Miss L that it showed her to be living with parents, and the credit file check confirmed the address Miss L had given. It also showed several other people with the same surname at the address, and that she'd lived there since 2005. So, I don't think Trusttwo had any reason to doubt what Miss L had told them.

Trusttwo's affordability assessment showed Miss L had a monthly salary of £1300 and after allowing for outgoings, she'd a disposable income of £636.36. They also showed they'd verified Miss L's salary, her bank details and checked her credit file.

From the checks made by Trusttwo I couldn't see any evidence that would appear to contradict any of the information they had, and so I'm persuaded it was reasonable for them to rely on it. So, I don't think Trusttwo acted irresponsibly in agreeing to Miss L being the guarantor for this loan.

Loan Two

Loan Two was a "top up" loan, and the amount borrowed - £10,000, the period of repayment – 60 months and the monthly repayment amount - £395.52 all showed a marked increase in lending and indebtedness. As outlined above these factors I think should have meant TrustTwo were more thorough in the checks they did. I can also see from their affordability assessment that they were also aware of another guarantor loan for £5,000 that had recently been taken out with another company. Further evidence of an increased indebtedness for Miss L.

As I mentioned there isn't a set list of checks that Trusttwo should carry out. But I think in this instance to gain an understanding of Miss L's financial situation a check of her bank statements for the three months prior to the loan could have been asked for.

Miss L has provided her bank statements to us for January, February and March 2019. The "top up" loan was agreed to in April 2019. Having reviewed the statements I think it's clear that Miss L wasn't living with parents as she was paying £450 for landlord services, and £125.25 for council tax. There is also evidence of weekly payments to utility companies, spending on DIY, carpets and food.

The statements show Miss L had an average monthly salary of £1230, Trusttwo had

calculated for this loan that Miss L had a monthly salary of around £1408, so £178 more than was evident on her bank statements. Trusttwo had calculated Miss L had a disposable income of £426.80 after the repayment for the new loan - £395.52 was accounted for. But Trusttwo had made no allowance for Miss L paying any rent or board – as she'd told them she lived with her parents. Again, Miss L's credit file showed her to be at the same address as when Trusttwo checked for the first loan. But this wasn't correct, and if Trusttwo had done a more thorough check as I would have expected them to, they'd have seen that she did have household expenditure. And that her commitment to these would have left her without any disposable income. So, I don't think Miss L could afford to step in as a guarantor for this loan. And Trusttwo acted irresponsibly in agreeing to her guaranteeing the loan.

Coersion

Miss L has said she was forced into being the guarantor by Ms P. But I've listened to calls she'd with Trusttwo. The call where her financial situation was discussed, although the agent spoke quite quickly, he does go through several questions regarding Miss L's circumstances, including where she was living. He also reiterates that she'd need to step in to cover the repayments if Ms P failed to do so. He also asked how long Miss L had known Ms P for, and she replied 10 years. As Miss L answers the questions I'm persuaded without any hesitation or concern, I don't think there was anything that should have raised concerns to Trusttwo about Miss L's agreement to be a guarantor.

Putting things right

Neither party asked for any further comments or information to be considered. So I uphold this complaint for Loan Two. And ask Everyday Lending Limited trading as Trusttwo to:

- remove Miss L's name from the Loan Two agreement;
- repay to her any payments she has already made to them towards Loan Two;
- pay interest[†] at 8% simple on those payments from date of payment to date of settlement; and
- remove any adverse information from Miss L's credit file in relation to Loan Two.

[†]HM Revenue & Customs requires Everyday Lending Limited trading as Trusttwo to take off tax from this interest. Everyday Lending Limited trading as Trusttwo must give Miss L a certificate showing how much tax they've taken off if she asks for one.

My final decision

I partially uphold this complaint. And ask Everyday Lending Limited trading as Trusttwo to put things right as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 29 March 2022.

Anne Scarr
Ombudsman