

## Complaint

Mr C complains that TM Advances Limited (“TM Advances”) irresponsibly lent to him.

## Background

TM Advances provided Mr C with a loan for £3,000.00 in November 2016. This loan had an APR of 140.9% and was due to be repaid in 48 monthly instalments of £235. One of our adjudicators reviewed Mr C’s complaint and he thought TM Advances shouldn’t have provided Mr C with this loan. So he thought that Mr C’s complaint should be upheld. TM Advances didn’t agree so the case was passed to an ombudsman for a final decision.

## My findings

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr C’s complaint.

TM Advances needed to make sure it didn’t lend irresponsibly. In practice, what this means is TM Advances needed to carry out proportionate checks to be able to understand whether Mr C could afford to repay any credit it provided. Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly. The information TM Advances has provided shows that it carried out a credit check. The results of which clearly demonstrated that Mr C was already significantly indebted. It’s worth noting that the warning on the front page of the credit check said:

**“HIGH RISK**

**MOST LENDERS VIEW THIS SCORE AS HIGH RISK – A HIGH PROPORTION OF APPLICANTS FOR CREDIT WITH THIS SCORE WILL EXPERIENCE SERIOUS REPAYMENT PROBLEMS IF THE APPLICATION IS ACCEPTED”**

The reason for this warning appears to have been because Mr C had exceeded the limit on two of his credit cards and was at the upper end of the limit on a third account. Coupled with this Mr C also appears to have had a history of regular use of payday type loans too.

So I’m persuaded by what Mr C has said about already being in a difficult financial position at the time. And while it’s possible he could have been in this position through choice rather than because he was struggling, I’d add that my experience of these types of cases suggest

this is unlikely, in the absence of any reasonable or plausible arguments from TM Advances, I've been persuaded to accept Mr C's version of events.

As this is the case, I do think that Mr C's existing debts meant that he was unlikely to be able to afford the payments to this loan, without undue difficulty or borrowing further. And as reasonable and proportionate checks should have involved finding out about Mr C's income and expenditure, I'm satisfied they would more like than not have shown TM Advances that it shouldn't have provided this loan to Mr C. As TM Advances provided Mr C with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards him.

Mr C ended up paying interest, fees and charges on a loan he shouldn't have been provided with. So I'm satisfied that Mr C lost out because of what TM Advances did wrong and that it should put things right.

### **Fair compensation - what TM Advances needs to do to put things right for Mr C**

Having thought about everything, TM Advances should put things right for Mr C by:

- refunding all interest, fees and charges Mr C paid on this loan;
- adding interest at 8% per year simple on any refunded payments from the date they were made by Mr C to the date of settlement†
- all adverse information TM Advances recorded about this loan should be removed from Mr C's credit file.

† HM Revenue & Customs requires TM Advances to take off tax from this interest. TM Advances must give Mr C a certificate showing how much tax it has taken off if he asks for one.

### **My final decision**

For the reasons I've explained, I'm upholding Mr C's complaint. TM Advances Limited should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 26 April 2022.

Jeshen Narayanan  
**Ombudsman**