

## The complaint

Mr M complained that 1Plus1 Loans Limited irresponsibly lent to him when it provided a loan that was unaffordable.

## What happened

Mr M was given a loan by 1Plus1 as follows:

Date taken	Number of monthly instalments	Loan amount	Monthly repayment*	Total payable
November 2019	36	£1,500	£71.92	£2,589.12

One of our investigators reviewed Mr M's complaint. He didn't think that 1Plus1 should've provided this loan. So our investigator upheld the complaint and set out the steps that he felt 1Plus1 needed to take to put things right.

1Plus1 disagreed with our investigator's view. It mainly said that Mr M's earned income plus his self-employed earnings (which it didn't think our investigator had allowed for) provided Mr M with ample money to cover all his essential spending and that the loan monthly repayments were affordable for him.

As the complaint wasn't resolved, it came to me to decide. I issued a provisional decision.

## What I said in my provisional decision

Here are some of the main things I said.

*"I've provisionally decided this isn't a complaint I can fairly uphold based on the information I've seen so far. I'll explain why I say this."*

*There are some general principles and questions I need to think about when deciding whether to uphold this complaint. Before agreeing to lend, lenders must work out if a borrower can 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 lender must take reasonable steps to satisfy itself that the borrower can sustainably repay the loan – in other words, without needing to borrow elsewhere.*

*The rules don't say what a lender should look at before agreeing to lend. But reasonable and proportionate checks should be carried out.*

*In general, what constitutes a proportionate affordability check will depend on a number of factors – a lender should for instance consider, amongst other things, the borrower's particular circumstances (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking.*

*In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:*

- the lower a borrower'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 repayment from a particular level of income)*
- the greater the number and frequency of loans, and the longer the period of time during which a borrower has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).*

*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 looked affordable, a lender still needed to think about whether there was 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 more money problems or impact adversely on a borrower already struggling with debt that can't be repaid in a sustainable way.*

*1Plus1 has provided evidence to show that, before lending to Mr M, it asked him for details of his income and expenditure and carried out its own banking and credit checks to understand Mr M's financial situation and his credit history. It took steps to verify Mr M's income and discussed Mr M's financial situation with him during a phone call. 1Plus1 called him back to double check information it saw on its credit checks relating to late payment issues on a couple of other loans. It calculated what it thought was Mr M's disposable income to see if the loan repayments were affordable.*

*Based on the amount that Mr M borrowed, the repayment amount and the loan term, I think the checks 1Plus1 did were reasonable and proportionate in Mr M's particular circumstances. Those checks suggested to 1Plus1 that the loan was affordable and Mr M should've been able to sustain the repayments over the term. On balance, I think that was a reasonable conclusion for 1Plus1 to have reached.*

*I appreciate Mr M has said he was already in financial difficulty at the time this loan was provided to him and that it was unaffordable. But I don't think this is something 1Plus1 knew or ought to have known about at the time. I say this because:*

- I think it's fair to say that the information 1Plus1 saw suggested Mr M could rely on being able to boost his typical monthly earned income which seemed to be around £1,472. It could see that a couple of months earlier he'd more than doubled his earned income with extra money from his self-employed work. I'm not assuming Mr M would always be able to rely on getting as much work as this – but 1Plus1 looked at bank statement information covering three months or so and saw that, as a minimum, he was able to pay between £400 and £500 extra into his account each month – and a lot more than this in September 2019. Overall, his debt servicing costs didn't appear to be an unreasonably high proportion of his income, so I don't think I can fairly say that 1Plus1 should have realised that Mr M would find himself short of enough money to make the loan monthly repayments.*
- although 1Plus1's credit checks showed that Mr M had recently made late payments on two loans, I've carefully listened to the call recordings when he explained this was due to a mismatch between the date he was paid at work and when the direct debits for his loans were due. Mr M said the payments were made a couple of days after the due dates and there weren't any ongoing late payment issues*
- he told 1Plus1 that he was in an arrangement to pay with one of the lenders which I think would have reassured 1Plus1 that he had demonstrated a responsible attitude towards bringing the account back up to date*
- Mr M said old defaults were due to being out of work and they were all now paid*
- it looks like Mr M was also paying a private loan which wasn't shown on the credit checks 1Plus1 obtained but was apparent from looking at bank statements – and this too showed a recent payment problem with a returned direct debit. But it isn't unusual for applicants for this type of high cost loan to have a credit history showing other borrowing or an impaired credit record – and these things wouldn't necessarily be reasons to prompt a responsible lender to decline a loan application if the loan otherwise looked affordable. It didn't look like Mr M was particularly reliant on an overdraft, he wasn't shown as being in bankruptcy or having entered into any formal arrangement with creditors. There was no record of any county court judgement*

- *1Plus1 saw some recreational gambling on his bank statements but there was nothing to suggest that Mr M's spending on gambling was excessive or out of control*
- *there were some unpaid items on his bank statements and Mr M was paying bank charges for this. But there was also significant non-essential spending apparent and it looked like Mr M had enough flexibility to manage his money differently if he had chosen to do so. So I think 1Plus1 was reasonably entitled to take the view that his spending reflected his priorities and it didn't look like Mr M was financially over-stretched or that his credit commitments weren't manageable.*

*It was fair for 1Plus1 to decide Mr M's lending application based on the information it was reasonably entitled to rely on at the time. Looked at overall, I don't think it was unreasonable for 1Plus1 to provide the loan as there wasn't anything obvious, in the information it had, to suggest Mr M wouldn't be able to repay it in a sustainable way. The loan appeared to be affordable looking at Mr M's income capacity and committed expenditure. And I don't think proportionate checks would've required 1Plus1 to probe any more deeply into Mr M's finances or ask Mr M to prove what he was declaring or check other information sources to verify what he had told 1Plus1 (or omitted to say) about his financial circumstances.*

*I accept that Mr M's actual circumstances possibly weren't fully reflected either in the information he provided or the other information 1Plus1 obtained. But in order to uphold this complaint I have to be able to say a lender did something wrong. In this case, I don't think that 1Plus1 did anything wrong in deciding to lend to Mr M.*

*Our investigator didn't think that 1Plus1 had acted towards Mr M in any other way that wasn't fair and reasonable. Mr M hasn't commented on that but I've thought about this also as part of my independent review of his complaint. I haven't seen anything which makes me think 1Plus1 acted unfairly or unreasonably towards Mr M in any other way.*

*So for these reasons, I'm not planning on upholding Mr M's complaint.*

*I appreciate that my provisional decision will be disappointing for Mr M but I hope that setting things out as I've done helps explain how I've come to my conclusions. If Mr M is still struggling with debt and would like to talk to someone about his situation or get help to manage his finances there's more information about how to get free advice and assistance on our website – or we can provide contact details if he gives us a call.”*

### **What the parties said in response to my provisional decision**

1Plus1 accepted what I've said in my provisional decision.

I have heard nothing further from Mr M and the deadline for responses has now passed so I think it's reasonable for me to proceed with my review of this complaint.

### **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.

As no further comments have been received in response to my provisional decision that change what I think about this case, I still think it's fair not to uphold this complaint for the reasons I explained in my provisional decision.

### **My final decision**

For these reasons, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 4 August 2022.

Susan Webb  
**Ombudsman**