

The complaint

Miss H complains 1Plus1 Loans Limited trading as 1Plus1 Loans irresponsibly lent to her.

What happened

Miss H was approved for a £10,000 guarantor loan by 1Plus1 Loans in December 2018. The term of the loan was 60 months with repayments of approximately £380 per month. The loan purpose was listed as being for debt consolidation and additional money for Christmas spending.

Miss H says this loan was irresponsibly lent to her. She says that 1Plus1 Loans did not complete reasonable and proportionate checks prior to the lending decision. Miss H says had 1Plus1 Loans completed reasonable and proportionate checks it would've realised the loan was unaffordable to her and not lent.

I wrote to both parties setting out my provisional decision. I set out my provisional findings as below:

"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 Miss H's complaint.

1Plus1 Loans and Miss H are aware of our service's approach to unaffordable and irresponsible lending complaints, so for the sake of conciseness I won't set the detail here.

1Plus1 Loans needed to take reasonable steps to ensure the lending it provided was responsibly lent to Miss H. The relevant rules, regulations and guidance at the time 1Plus1 Loans lent effectively required it to carry out reasonable and proportionate checks. These checks needed to assess Miss H's ability to afford the loan and repay it sustainably over its term, without causing her financial difficulties.

There isn't a set list of checks a lender needs to carry out, but they should've been effectively proportionate, taking into account things like the type, amount, duration and total cost of the credit, as well as the borrower's individual circumstances.

And it wasn't sufficient for 1Plus1 Loans to just complete proportionate checks – it also had to consider the information it obtained from these checks to make a fair lending decision. This includes not lending to someone in financial hardship; and ensuring repayments can be made sustainably without having to borrow further.

Finally, the fact this loan was secured by a guarantor in no way lessened the obligations which applied to 1Plus1 Loans.

In this instance 1Plus1 Loans completed an affordability assessment on Miss H. This included searching Miss H's credit file and asking her details about her income

(which it says it verified electronically) and non-credit commitment expenses. Miss H declared that she was earning approximately £1,500 per month, and she lived with her parents. Her main non-credit expenses covered her travel and some minor utilities. 1Plus1 Loans added a further buffer of £200 to these expenses.

The credit file search showed that Miss H had approximately £14,700 in existing credit commitments. This was made up of a number of different credit products including credit and store cards, an overdraft and two unsecured loans. The unsecured loans – which amounted to about £8,700 - were listed as being consolidated by this loan. The credit file suggested that Miss H was maintaining these existing commitments well, with no missed payments or negative markers. The credit file demonstrated that Miss H's credit cards had a relatively high level on them, amounting to around £4,500, and that she was utilising her overdraft facility to around £1,300.

1Plus1 Loans says these checks combined gave it a sufficient insight into Miss H's finances and as such it did not need to complete further checks for them to be proportionate. I've considered 1Plus1 Loans' argument, but I disagree they were proportionate in this instance.

This loan was for a large amount of credit - £10,000 – and was scheduled to be repaid over a significant amount of time – 60 months. The repayment also amounts to a large proportion of Miss H's stated monthly income. The information 1Plus1 Loans gathered demonstrated that although Miss H had low non-credit commitments (such as rent or a mortgage), she was still utilising a large amount of credit. As noted above Miss H had four existing credit/store cards which had a combined balance of around £4,600 and an overdraft which was being utilised to around £1,300. Whilst these commitments were being well maintained, I'm still satisfied that considering these commitments were still going to exist after the loan was completed, it would've been proportionate to gain a better insight into Miss H's circumstances. And as such it ought to have done more to verify these commitments – as well as Miss H's non-credit commitments.

So, it follows that as 1Plus1 Loans did not do this, that I'm satisfied it did not complete reasonable and proportionate checks in this instance.

As 1Plus1 Loans didn't complete reasonable and proportionate checks, I have to consider what further checks would've likely shown. Miss H has provided our service with copies of her bank statements for the period leading up to the loan being provided. In the absence of other information, I find the information provided in the bank statements to be persuasive and have used them to come to my provisional findings.

Miss H says that had 1Plus1 Loans completed further checks it would've seen the loan was unaffordable to her. 1Plus1 Loans says the loan was affordably lent. Based on what I've seen so far, I'm currently minded to say the loan was unaffordable to Miss H.

The statements show that Miss H's income on average was lower than the £1,500 which had been used by 1Plus1 Loans in its affordability assessment and was closer to around £1,150-£1,200 per month.

The statements also show that Miss H's outgoings were higher than used by 1Plus1 Loans when it completed its affordability assessment. The statements show that Miss H was utilising her overdraft, and the majority of the payments that 1Plus1 Loans had

calculated were present (such as the payments towards Miss H's credit cards). However, it also demonstrates that Miss H had taken out a further unsecured loan a couple of weeks prior to this application. The monthly repayment was approximately £180 per month (this loan would not have been consolidated by the 1Plus1 Loans loan). In addition to this, Miss H's non-credit commitments – such as her direct debits – were higher than those which had been used in the application form including her car insurance, television and mobile phone subscriptions.

Whilst the statements also demonstrate that Miss H wasn't making any mortgage or rent payments, they do show that her disposable income was significantly lower than the amount calculated and relied upon by 1Plus1 Loans. And I'm satisfied that this would not have left Miss H in a position for her to afford the repayments sustainably.

At this point I do think it's important for me to set out that 1Plus1 Loans was required to establish whether Miss H could sustainably make the loan repayments – not just whether the loan payments were technically affordable on a strict pounds and pence calculation. This means that Miss H had to be able to make the payments without difficulty, out of her income or savings and without having to borrow further.

The statements show Miss H was utilising her overdraft heavily; and that the income was not sufficient to place her in a credit position for any sustained period of time. And whilst utilising an overdraft may, in itself, not be enough for a case to be considered unaffordable, I'm satisfied in this instance it suggested sufficiently that Miss H wasn't managing her finances in a sustainable way.

The statements suggest that Miss H was using other forms of credit to help supplement her income such as a further recent unsecured loan, and high utilisation of her credit cards. Taking all of this into account I'm satisfied that it demonstrates Miss H was struggling to meet her existing repayments sustainably without having to borrow further or incurring financial difficulties.

As such, it follows that I'm currently minded to say, Miss H was not in a position to sustainably repay these additional funds. I'm persuaded that 1Plus1 Loans should've reasonably come to this conclusion too had it completed further proportionate checks. As such my provisional decision is that 1Plus1 Loans should not have provided this loan to Miss H."

I asked both parties to respond with any further information or comments they wished to provide. Miss H responded saying she accepted the provisional decision. 1Plus1 Loans did not respond within the time frame required.

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.

Having done so, I'm satisfied that the findings in my provisional decision should remain. That is to say that I'm upholding this complaint.

This is for the reasons set out in my provisional decision. I'm satisfied on balance that 1Plus1 Loans did not complete reasonable and proportionate checks on Miss H before approving the loan. Had it done so, I'm satisfied that 1Plus1 Loans would've realised the loan was unaffordable to her, and not provided it. As 1Plus1 Loans didn't do this, I'm satisfied on balance, it made an unfair decision to lend.

Putting things right

Miss H has lost out by the actions of 1Plus1 Loans, as she has had to pay additional interest and charges.

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

- To add up the total amount of money Miss H received as a result of having been given this loan. The repayments Miss H made should be deducted from this amount.
 - a) If this results in Miss H having paid more than they received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). †
 - b) If any capital balance remains outstanding, then 1Plus1 Loans should attempt to arrange an affordable and suitable payment plan with Miss H.
- 1Plus1 Loans should remove any adverse information recorded on Miss H's credit file in relation to loan but that only needs to be done once the loan has been repaid.

† HM Revenue & Customs requires 1Plus1 Loans to take off tax from this interest. 1Plus1 Loans must give Miss H a certificate showing how much tax it's taken off if they ask for one.

My final decision

My final decision is that I uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 4 April 2023.

Tom Whittington
Ombudsman