

## **Complaint**

Mr M has complained about a guarantor loan George Banco Limited (trading as “George Banco”.com) provided to him. He says the loan was unaffordable.

## **Background**

George Banco provided Mr M with a guarantor loan for £4,500.00 in August 2017. This loan had an APR of 57.54% and a term of 60 months. This meant that the total amount to be repaid of £11,620.20, including interest, fees and charges of £7,120.20, was due to be repaid in 60 monthly instalments of just under £200.

One of our investigators reviewed Mr M's complaint and she thought George Banco shouldn't have provided Mr M with his loan. So she thought that Mr M's complaint should be upheld.

George Banco disagreed with our investigator's assessment 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 M's complaint. Having carefully considered everything I've decided to uphold Mr M's complaint. I'll explain why in a little more detail.

George Banco needed to make sure it didn't lend irresponsibly. In practice, what this means is George Banco needed to carry out proportionate checks to be able to understand whether Mr M could afford to repay any credit it provided. The fact that George Banco may also have been able to seek payments from a guarantor did not alter or dilute this obligation in any way.

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 George Banco has provided suggested that it carried out a credit check before this loan was provided. The results of which showed that Mr M was already

significantly indebted and that he was already paying a significant proportion of his income towards credit commitments.

I also have concerns that the recorded purpose of this loan was debt consolidation. This is because Mr M was supposedly going to consolidate debts that had a much lower rate of interest. So it's unclear to me how this loan, which was on such disadvantageous terms, was going to improve Mr M's already precarious financial position going forward and how George Banco could accept what Mr M said at face value in these circumstances.

All of this leaves me persuaded by what Mr M has said about already being in a difficult financial position at the time. And while it's possible Mr M's difficulties reflected his choices rather than financial difficulty, 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 George Banco, I've been persuaded to accept Mr M's version of events.

As this is the case, I do think that Mr M's existing financial position meant that he was unlikely to be able to afford the payments to this guarantor loan, without undue difficulty or borrowing further. And I'm satisfied that reasonable and proportionate checks would more like than not have shown George Banco that it shouldn't have provided this loan to Mr M. As George Banco provided Mr M with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards him.

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

### **Fair compensation – what George Banco needs to do to put things right for Mr M**

Having thought about everything, George Banco should put things right for Mr M by:

- removing all interest, fees and charges applied to the loan from the outset. The payments made, whether to George Banco or anyone else, should be deducted from the new starting balance – the £4,500.00 originally lent. If the amount Mr M himself (and not his guarantor) has already repaid exceeds £4,500.00 then George Banco should treat any extra as overpayments. And any overpayments should be refunded to Mr M;
- adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Mr M to the date of settlement†
- if no outstanding balance remains after all adjustments have been made, all adverse information George Banco recorded about this loan should be removed from Mr M's credit file.

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

I'd also remind George Banco of its obligation to exercise forbearance and due consideration should, as seems likely, an outstanding balance remain after all adjustments have been made, it decides to collect on this and it's the case that Mr M is experiencing financial difficulty.

**My final decision**

For the reasons I've explained, I'm upholding Mr M's complaint. George Banco 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 M to accept or reject my decision before 28 August 2023.

Jeshen Narayanan  
**Ombudsman**