

## **The complaint**

Mr and Mrs W's complaint relates to a secured loan they have with Tandem Home Loans trading as 1<sup>st</sup> Stop Secured Loans. They believe the loan was not affordable and that Tandem should have carried out further checks before agreeing to the application. They have concluded that had Tandem done appropriate checks it would have identified Mr W had a gambling addiction and should have refused to lend. In addition, Mr and Mrs W don't believe that Tandem had their home valued.

In settlement of the complaint, Mr and Mrs W want all interest and fees charged to be refunded to reduce the capital balance. Going forward, they want the interest suspended to allow them to repay the amount borrowed over the remainder of the term with lower monthly payments.

## **What happened**

Mr and Mrs W's loan started in October 2021. They borrowed £50,000 to consolidate some debts (just over £21,000) and complete home improvements. The loan was arranged on a repayment basis over a term of 25 years. The interest rate was fixed for five years at 12.9%.

A fact find was completed for Tandem to establish Mr and Mrs W's needs and circumstances. They said they wanted to consolidate most of their unsecured debts; the exception being a credit card on which they were not paying interest. Tandem calculated that consolidation would save Mr and Mrs W around £90 each month compared to the minimum payments required to the loans and credit cards. However, as they paid more than the minimum, the new loan would save them £225 each month. Taking account of the average cost of living and the additional information Mr and Mrs W gave Tandem about their outgoings, this meant that after the debts were consolidated and the new loan was in place, they would have a disposable income of around £260 each month. Mr and Mrs W told Tandem completing the home improvements would add value to the property and would improve the quality of the house.

Tandem responded to the complaint in a final response letter of 7 September 2022. It set out the process that was gone through to assess the value of Mr and Mrs W's property, the affordability of the loan and the risks associated with lending to them. Tandem then confirmed why it had concluded the application was an acceptable risk and affordable. In relation to Mr W's gambling, it explained that it didn't require bank statements, but even if it had seen the statements he provided during the complaint investigation, the information contained in them would not have been reason for it to have made further enquiries. Tandem was satisfied that there was no evidence from the operation of the loan that there were affordability issues and noted that Mr and Mrs W hadn't informed it of any financial difficulties. The complaint was rejected.

Mr and Mrs W weren't satisfied with the response and asked us to look into the complaint.

One of our investigators considered the complaint, but she didn't recommend that it be upheld. Mr and Mrs W didn't accept the investigator's conclusions but didn't say why. They asked that the complaint be referred to an ombudsman.

## **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.

I would initially confirm that, while Mr and Mrs W don't believe Tandem had their home valued, I have seen evidence that it did. While a surveyor didn't attend their property as would have happened when they originally bought it, that type of survey is only one of the options available to a lender now. When additional lending is required, it is common for lenders to complete a system-generated valuation as this ensures there are no delays in the process and it saves the homeowner the cost that is associated with a traditional physical valuation.

Mr W has said he thinks that Tandem should have asked him for bank statements and if it had, it would have identified that he had a gambling problem. I would firstly confirm that there is no requirement for a lender to obtain bank statements from prospective borrowers. However, even if Tandem had asked Mr and Mrs W to provide bank statements at the time of the application, I am not persuaded the information they would have contained would have raised concerns. As the application was made in October, the statements that would have been available would have been August and September 2021. I have examined the statements for these months and while they do show payments to gambling sites, the amounts and frequency were modest and would not have been sufficient to raise concerns.

Tandem had a duty to lend responsibly. It was required to carry out an assessment of affordability in line with the Financial Conduct Authority's Mortgage and Home Finance: Conduct of Business sourcebook.

I have looked carefully at the assessment Tandem carried out before it approved the loan. It took account of Mr and Mrs W's verified net income, their committed expenditure and basic cost-of-living costs. Based on the information available to Tandem, I am satisfied that it was reasonable for it to consider the loan was affordable.

Tandem said that the cost-of-living figures used were based on Office of National Statistics (ONS) data on minimum costs, along with the information Mr and Mrs W provided about their outgoings. After taking these costs into account, along with Mr and Mrs W's committed expenditure, there was a disposable income of around £260 each month. I think it was reasonable for Tandem to consider this was sufficient disposable income for a family of four, bearing in mind that it had already deducted food, clothing, socialising and travel costs. While Mr and Mrs W might have spent more than the minimum ONS figures, I consider that it was reasonable for Tandem to consider that the disposable income gave them a cushion for this.

There was no requirement for Tandem to carry out an interest rate stress test as the interest rate on the loan was fixed for five years. However, Tandem did carry out such a test and based on the information it had, it showed the loan was still affordable.

Overall, I am satisfied it was reasonable for Tandem to consider the loan was affordable and lend to Mr and Mrs W the amount it did based on the information it had at the time of the sale.

While the lending was affordable, I also need to decide whether the decision to lend to Mr and Mrs W was reasonable, based on the information Tandem had at the time. It is not for me to interfere in the legitimate lending decisions that Tandem makes, but I can consider whether it reached its decision fairly.

Mr and Mrs W are right that Tandem needed to have regard for their wider circumstances. For example, their payment history with creditors, the amount of credit they had taken and if they had taken a lot of credit in a short space of time. However, that assessment should always be objective and take into account all the information available, including Mr and Mrs W's explanations of any potential issues. Mr and Mrs W's credit files were showing some defaults, but only one recent one, and missed payments on a utility account. However, they provided explanations for those situations which clearly reassured Tandem that Mr and Mrs W were not in financial difficulties. In addition, the one credit account that was in default was being repaid by the consolidation.

I would comment at this point that a lender is entitled to rely on the information provided by a consumer. It would be inappropriate for a lender to doubt a customer, or potential customer's integrity without good cause. I don't consider the information Tandem had at the time of the application suggested the financial difficulties Mr and Mrs W have now said they were in. I am not persuaded that there was any reason for Tandem to decline to lend to Mr and Mrs W in 2021.

### **My final decision**

My final decision is that I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs W to accept or reject my decision before 27 July 2023.

Derry Baxter  
**Ombudsman**