

The complaint

Miss M complains that Oplo PL Ltd lent to her irresponsibly.

What happened

In March 2020 Miss M applied for a loan with Oplo. Oplo approved the application and gave Miss M a loan for £10,000 repayable over 30 months with a monthly repayment of £471.34.

Miss M complained that Oplo lent to her irresponsibly.

Oplo didn't uphold the complaint. It said it had carried out proportionate checks before lending to Miss M.

Miss M wasn't happy with the response and complained to this service.

I issued a provisional decision in which I explained why I wasn't upholding the complaint. I said that before agreeing to lend, Oplo needed to carry out reasonable and proportionate checks to ensure that Miss M could sustainably repay what she was being lent. I explained that there's no set list of checks that a lender has to carry out but that lenders need to consider things like the amount of the loan, the total amount repayable, the monthly repayment and the consumer's individual circumstances when deciding what checks were reasonable and proportionate.

Miss M declared a monthly salary of £1760 when she applied for the loan. Oplo validated this using a third-party tool. Miss M also declared PIP of £252 per month which Oplo validated by looking at Miss M's bank statements.

Oplo carried out a credit search which showed that Miss M had unsecured debt of around £10,000 with existing monthly debt repayments of around £400 and household expenditure of around £627 per month. The credit search showed no adverse information within the last three years.

Using the information it had gathered from the checks, Oplo calculated that Miss M had monthly disposable income of around £924, meaning that after making the loan repayment, Miss M would have around £452 disposable income left.

I said in my provisional decision that based on what I'd seen, I thought the checks carried out by Oplo were reasonable and proportionate.

I then went on to consider whether the lending decision was fair.

When Miss M applied for the loan, she told Oplo that she intended to use it to pay for some home improvements and to consolidate some debts. The debt consolidation was the repayment of a credit card and the reduction of sums due under a hire purchase agreement.

Following the debt consolidation, Miss M would've been using around 37% of her monthly income to repay debt. I explained that whilst this was a significant amount of income being used to repay debt, debt to income ratio wasn't the only factor to consider as part of the

overall consideration of whether the lending decision was fair.

I looked at Miss M's monthly disposable income and noted that after repaying debts (including the Oplo loan), she was left with around £452. I felt that this was a sufficient income to say that the loan was affordable, and that Miss M was likely to be able to sustainably repay the loan.

On that basis, I concluded that the lending decision was fair. I invited both parties to let me have any further comments they wished to make.

Oplo replied and said that they had nothing further to add.

Miss M replied and said that she didn't agree that she was likely to sustainably repay the loan. She felt that I'd only looked at affordability and not sustainability. Miss M referred to medical evidence she had provided to this service when she raised her complaint which showed that she was suffering from mental health issues at the time she took out the loan.

Miss M also made some comments about affordability. She said that her PIP benefit entitlement was for one year only and that when it was reviewed in October 2020 she lost her entitlement, which meant that she was £252 worse off every month. Miss M said she didn't think that Oplo should've considered this as part of her income, because the benefit wasn't indefinite, but was instead reviewable every year. Miss M said that if you took out the PIP benefit, the loan wasn't affordable for her.

Miss M also said that she wanted Oplo to consider removing the default from her credit file as this was impacting on her ability to obtain a mortgage.

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've carefully considered everything that Miss M has said. If I don't comment on a specific point, it isn't because I haven't taken it on board and thought about it, but because I've limited my comments to those matters which are directly relevant to my decision. The approach taken by this service allows me to do this.

I'm sorry to hear that Miss M has suffered with her health and that her entitlement to PIP benefit was removed. I appreciate that this will have impacted on her financial circumstances from the point at which it was removed, which Miss M says was in October 2020, around 7 months after the loan was approved.

I've already explained that there is an obligation on Oplo to carry out reasonable and proportionate checks. My view that the checks carried out by Oplo were reasonable and proportionate hasn't changed. I don't think there was anything in the information gathered by Oplo which should've promoted Oplo to carry out further checks.

Miss M has said that she didn't think that sustainability had been properly considered. I did reference sustainability in my provisional decision. I think what Miss M wants me to address is whether Oplo ought to have taken into account the fact that her PIP entitlement was subject to review. I've thought about this, but I haven't seen anything to suggest that Miss M advised Oplo that the benefit was temporary or subject to review. I don't think Oplo was wrong to take the benefit into account when it looked at affordability, because Miss M was in receipt of it at the time she applied for the loan. I don't think Oplo – or Miss M – could have reasonably foreseen that the benefit would be removed when it was reviewed.

Miss M has also said that Oplo was aware at the time she applied for the loan that she had health issues, and that her health was unlikely to improve. I've looked at the medical evidence that Miss M has provided, and I don't disagree that she has health issues. And I think that the PIP benefit that Miss M was receiving at the time she applied for the loan would've put Oplo on notice that Miss M had a condition which entitled her to claim this benefit. But I haven't seen evidence that Miss M provided specific details of her condition to Oplo, or that she advised Oplo that she had difficulties managing her spending habits as a result of her condition. As I've said above, Oplo carried out a credit check and discovered that Miss M held other credit accounts. But there was no evidence (in the form of adverse information on Miss M's credit file) that Miss M wasn't managing those other accounts well.

I appreciate that Miss M wants the default removed from her credit file. But I'm unable to ask Oplo to do this because they haven't acted unfairly in reporting it. This is because lenders are under an obligation to provide accurate information about the status of a credit account to the credit reference agencies.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 15 August 2023.

Emma Davy
Ombudsman