

The complaint

Miss C is unhappy 1Plus1 Loans Limited accepted her as a guarantor on a loan. She says she was vulnerable and couldn't afford the repayment responsibilities of a loan as a guarantor.

What happened

1Plus1 accepted Miss C as a guarantor for a £4,000 loan in April 2022, the loan was for a term of 24 months with monthly repayments of £245.

The borrower of the loan hasn't kept up with the loan repayments and Miss C has been required to repay the loan as its guarantor. Miss C complained to 1Plus1 saying she couldn't afford the loan, was vulnerable at the time of the loan and the borrower who was her partner at the time took advantage of her and coerced her into taking the loan out for him.

1Plus1 didn't uphold Miss C's complaint so she referred it to the Financial Ombudsman Service where one of our investigators looked at the complaint. Our investigator thought the loan was unaffordable for Miss C and so she shouldn't have been accepted as a guarantor.

1Plus1 didn't agree, it said at the time of the loan it carried out detailed checks and those checks showed Miss C could afford the loan. There was nothing to suggest Miss C was being coerced to take the loan and so it didn't do anything wrong when it lent the loan.

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 also considered the law, any relevant regulatory rules and good industry practice at the time the loan was offered

Before lending money to a consumer, a lender should take proportionate steps to understand whether the consumer will be able to repay what they're borrowing in a sustainable manner without it adversely impacting on their financial situation. In this case, Miss C is the guarantor for the loan so before accepting her as a guarantor, 1Plus1 needed to satisfy itself that, the loan was affordable for the borrower, that it obtained Miss C proper and informed consent to be a guarantor and that the loan was affordable for Miss C.

I've thought about these and how it impacts Miss C's complaint. 1Plus1 has said the loan was affordable for the borrower, it has provided details of some of the checks it carried out. While the affordability of the loan for the borrower is a relevant factor, I think the more important element in this complaint is whether this loan was affordable for Miss C should she be required to make the minimum payments.

I've listened to the calls with Miss C and 1Plus1 and I'm satisfied it obtained her proper consent before agreeing to accept her as a guarantor for the loan. There's also no evidence that she was being coerced at the time so I wouldn't have reasonably expected 1Plus1 to react to information it didn't have and wouldn't have been reasonably aware of.

Was the loan affordable for Miss C?

1Plus1 was required to gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn't set out compulsory checks, they did list several things a lender could consider before agreeing to lend. The key thing was that any checks needed to be proportionate and had to consider a number of different things, including things such as how much was being lent and when what was being borrowed was due to be repaid. A business should also consider and react appropriately to what it knew about the consumer at the time it made its lending decision.

1Plus1 appears to have carried out a detailed check before lending, it spoke to Miss C, accessed her joint bank account through open banking and searched her credit file. The credit file showed she had two credit commitments, her mortgage, and her insurance payments.

1Plus1 says it used Miss C's average income of around £1,380, 1Plus1 has argued that Miss C was in a relationship with the borrower and because they also cohabited, it has calculated their income and expenses jointly which meant Miss C could afford the loan, based on her and her now ex-partner's income. 1Plus1 worked out that the combined household monthly expenses were around £2,745, this included a £400 buffer.

I don't accept that this was the reasonable thing to do. The joint account statements provided only show Miss C's income being paid directly into the account. I can see Miss C's ex-partner regularly made payments into the account, but his income wasn't directly paid into the account. That suggests to me that he maintained control of his income and transferred into the account when he saw fit, while Miss C's income was available for payments directly.

I have significant concerns about Miss C ability to afford the repayments of this loan. She is required to step in to make the payments in the event the borrower is unable to pay for whatever reason. 1Plus1 has lent on the basis that both Miss C and the borrower were in a relationship, lived together and shared financial dealings. However, the mortgage and the household bills appear to have been in Miss C's name, also as stated above the borrower's income didn't go into the joint account in the same way Miss C's income did.

It is also concerning that 1Plus1 determined that should the borrower for whatever reason be unable to maintain the repayments towards his loan, he'll be able to maintain payments towards the shared household bills and responsibilities. It is obvious that based on Miss C's income alone, the repayments on this loan weren't affordable and 1Plus1 loans seems to accept this. It has responded to the investigator's view to say the breakdown of the relationship between Miss C and the borrower is the cause of the complaint. I think it was a reasonably foreseeable consequence that should the relationship between Miss C and the borrower breakdown, it would impact her ability to cover her living costs and step in to repay the loan – which is what has happened here.

1Plus1 hasn't satisfied itself Miss C could step in to make repayments on the loan in an affordable manner independently and so it shouldn't have accepted her as a guarantor in the circumstances of the loan as she was unable to make repayments.

I've thought about whether 1Plus1 acted unfairly in some other way. Miss C has now made 1Plus1 aware that she is vulnerable and was coerced into taking this loan, it has asked for

Miss C's open banking access, but she hasn't provided this. Apart from requesting access, I can't see that it did anything further to respond to the issues Miss C raised. I think it should have sort to understand not just her current financial circumstances but also her personal circumstances as well. I think it could have handled this better, but I'm satisfied the redress for the loan being unaffordable will be sufficient to address this.

Putting things right – what 1Plus1 needs to do

- Release Miss C from being the guarantor of the loan.
- Refund any payments Miss C has made towards the loan. 1Plus1 should add interest at 8% per year simple on the overpayments sums from the date they were paid, if they were, to the date of settlement†.
- Remove any adverse information recorded on Miss C's credit file about this loan.

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

My final decision

For the reasons given above, I uphold this complaint and direct 1Plus1 Loans Limited to put things right as set out above.

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

Oyetola Oduola
Ombudsman