

## **The complaint**

Mrs S says Tandem Personal Loans Ltd, trading as Oplo, irresponsibly lent to her. She took the loan out with Oplo Personal Loans Ltd which subsequently became Tandem.

## **What happened**

Mrs S took out a 72-month instalment loan from Oplo on 3 November 2022. It was for £10,000 and the monthly repayments were £301.07. The total repayable was £21,696.92.

Mrs S says Oplo did not carry out proper checks looking at the long-term affordability. Part of her income at the time was not guaranteed as it was overtime and this would have shown on her bank statements or payslips. She wants all interest, fees and charges to be removed and the payments she has made to go directly towards the capital.

Our investigator said Oplo was wrong to lend to Mrs S. He concluded the lender's checks were not proportionate and had Oplo completed better checks it would have realised the loan would most likely not be sustainably affordable for Mrs S. He set out what Oplo should do to put things right.

Oplo responded to this assessment saying, in summary, its checks were proportionate. It did not require bank statements or payslips to support Mrs S's application as its external income verification matched the higher end of her declaration. Her existing credit was generally well managed and there was no reason to think her circumstances meant it was not reasonable to rely on national statistics to estimate her outgoings. It also challenged the investigator's calculation of Mrs S's existing credit commitments.

The investigator explained why it was unfair to include overtime in the affordability analysis and said that better checks would have helped Oplo understand the breakdown in her income between fixed salary and overtime payments – after all Mrs S had disclosed that her income included overtime. He explained that the credit commitments of £682.56 were made up of a reasonable repayment amount to satisfy the interest and gradually reduce the debt on her revolving credit plus her fixed term loan repayments.

Oplo asked for an ombudsman's review. It said even without overtime the loan was affordable for Mrs S. Also, if it showed on the external verification report it was as good as guaranteed. And whilst the credit check showed a couple of missed payments these were deemed within risk to accept Mrs S's application.

## **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.

Our approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

The rules and regulations when Oplo lent to Mrs S required it to carry out a reasonable and

proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check.

The checks also had to be borrower-focused. So Oplo had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Mrs S. In other words, it wasn't enough for Oplo to simply think about the likelihood of it getting it money back, it had to consider the impact of the loan repayments on Mrs S.

Checks also had to be proportionate to the specific circumstances of each loan application. In general, what makes up a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount, type and cost of credit they have applied for.

In light of this, I think that reasonable and proportionate checks ought generally to have been more thorough:

- the lower a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the longer the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether Oplo did what it needed to before agreeing to lend to Mrs S. So to reach my conclusion I have considered the following questions:

- did Oplo complete reasonable and proportionate checks when assessing Mrs S's loan application to satisfy itself that she would be able to repay the loan in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did Oplo make a fair lending decision?
- did Oplo act unfairly or unreasonably in some other way?

I can see Oplo asked for certain information from Mrs S before it approved the loan. It asked for details of her income and verified this. It estimated her living costs using national statistics. It also checked her credit file to understand her existing monthly credit commitments and credit history. It asked about the purpose of the loan which Mrs S said was for home improvements. From these checks combined Oplo concluded the loan was affordable for Mrs S and would leave her with of £301.14 of monthly disposable income. I am not satisfied these checks were proportionate for a number of reasons. The loan was over a long-term and the monthly repayment was a relatively high proportion of Mrs S's declared income, that Oplo knew included some overtime. And based on Oplo's analysis it understood she was already spending just under a third of her income on credit repayments. So in these circumstances I think Oplo needed to carry out a fuller financial review to get the assurances it needed that the loan would not cause any financial harm to Mrs S.

I have reviewed Mrs S's bank statements from the three months prior to application. I am not saying Oplo had to do exactly this but it is a reliable way for me to know what better checks

would most likely have shown the lender.

As the investigator said, these show that whilst Mrs S declared an income of £1,700, overtime made up around 30% of this. Had it been a lower percentage, and had the loan term been say 12 months, it might have been reasonable to include this in the affordability assessment. But in the circumstances of this case I do not find it was responsible to do so.

In addition, based on this lower fixed income level, giving this loan to Mrs S meant she would need to spend over 80% of her guaranteed salary on repaying credit. And as the industry knows such a high level can be an indicator of future financial difficulties. Even if I agreed with Oplo that it was reasonable to include her overtime payments, I would still have been concerned that the 58% of income Mrs S would need to spend on credit was too high to constitute responsible lending.

In the round, I think better checks would have shown Oplo that it could not safely conclude Mrs S would have the disposable income it had calculated for the next 72 months.

It follows I think Oplo was wrong to lend to Mrs S. I haven't seen any evidence Oplo acted unfairly towards Mrs S in some other way.

### **Putting things right**

It is fair that Mrs S should repay the capital she borrowed as she had the benefit of that money. But it is not fair she should pay interest and charges on a loan she shouldn't have been given.

So Oplo should:

- Remove all interest, fees and charges from the balance on this loan, and treat any repayments made by Mrs S as repayments of the principal.
- If this results in Mrs S having made overpayments then Oplo should refund these overpayments to Mrs S with 8% simple interest\* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled.
- If this results in there still being an outstanding balance then Oplo should try to agree an affordable repayment plan with Mrs S, treating her fairly and with forbearance as appropriate.
- Remove any adverse information recorded on Mrs S's credit file in relation to this loan once any outstanding capital balance has been repaid in full.

\*HM Revenue & Customs requires Oplo to deduct tax from this interest. It should give Mrs S a certificate showing how much tax it's deducted, if she asks for one. If it intends to apply the refund to reduce an outstanding balance it must do so after deducting the tax.

### **My final decision**

I am upholding Mrs S's complaint. Tandem Personal Loans Ltd, trading as Oplo, must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 20 March 2024.

Rebecca Connelley

**Ombudsman**