

The complaint

Miss S complains that Tandem Home Loans Ltd trading as Oplo lent to her irresponsibly.

What happened

Miss S took out a 10-year secured loan with Oplo in December 2021 to consolidate some of her existing debts.

She repaid the loan in August 2022 after taking out another loan with another provider.

In May 2023 Miss S, made a complaint to Oplo, alleging that the lending was unaffordable. She didn't think Oplo had carried out proportionate checks before agreeing to lend to her and had it done so, it would have found that she could not afford it.

Oplo did not uphold Miss S's complaint. It said it was satisfied that it met its obligations and that the lending was affordable for Miss S. It explained it had carried out a detailed income and expenditure (I&E) with Miss S, verified her income and checked her credit file before agreeing to lend. So, it did not agree that it had not carried out proportionate checks. It also highlighted that Miss S kept up with her payments and settled the loan early.

Unhappy with Oplo's final response, Miss S brought her complaint to our service.

One of our investigators looked into the complaint and thought it should be upheld. She thought Oplo should have requested bank statements from Miss S which would have shown that she was over committed each month (even with the benefit of consolidation into the Oplo loan) and therefore unable to afford the loan. She thought Miss S' credit file gave Oplo enough information to show Miss S was struggling to manage her finances and was in a spiral of debt.

The investigator recommended that Oplo refund all interest and charges applied to the loan and set up fees and awarded 8% interest.

Oplo disagreed. It said the regulations do not require a lender to obtain bank statements, so it was reasonable that it didn't ask for them. It also disagrees that Miss S or the credit file had given it enough information to suggest that it needed to explore her finances further.

As the complaint could not be resolved informally, it has been passed to me to decide.

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.

In doing so, I've taken into account relevant law and regulations; regulators' rules guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the relevant time.

Although I have read and considered everything that has been submitted by the parties, I will

keep my comments to what I think is relevant. If I don't comment on a specific point, it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

This loan was sold by a separate firm so I cannot comment on whether the advice to take out this secured loan was suitable for Miss S. But the obligation to assess affordability and whether it is responsible to lend, falls on Oplo as the lender.

In assessing whether to lend, Oplo was required to consider evidence of Miss S' income and information about her expenditure.

Oplo carried out an income and expenditure assessment (using ONS data where higher) and obtained payslips to verify Miss S' income. In doing so, I'm satisfied that in this case, Oplo took a reasonable view of Miss S' income, supported by evidence.

In looking at expenditure, again it considered the I&E as well as Miss S' credit file but it did not obtain bank statements to verify Miss S' expenditure.

The rules of mortgage regulation don't require a lender to obtain evidence of expenditure in the same way they do of income. They require it to obtain information about expenditure – and a lender can rely on what a borrower says unless there are common sense grounds for doubting it.

So, Oplo was entitled to rely on the information Miss S had given it about her expenditure and didn't need to ask for supporting information such as bank statements – unless there were common sense grounds for doubting what she had said.

Having looked at the evidence, I am not persuaded Oplo took a realistic view of Miss S' expenditure in relying on the I&E document and her credit file for the affordability assessment. It ought to have had common sense grounds to doubt what it had been told based on other information within its possession.

Miss S' credit file showed she had recently taken out several lines of credit, including a payday loan. It also showed that Miss S was taking notable cash advances on her credit card and had been doing so for at least the two years leading up to the application in question.

Oplo's affordability assessment, relying on Miss S' information about her expenditure and using ONS data where appropriate, suggested that before taking this loan to consolidate, Miss S had a surplus of around £450 each month.

This is a significant amount of disposable income and makes me question why, if that amount was correct, Miss S would need to rely on pay day loans. Such finance comes with very high interest and is typically used by consumers as a last resort in an emergency and not something I would expect to see if a consumer had around £450 in 'free cash' each month.

Oplo says Miss S explained the payday loan was to pay for home improvements. Given what I've said about the high cost of this credit, I'm not persuaded this is plausible. While they may be relied on for home emergencies, I am less persuaded by the suggestion Miss S would take out such a high-cost loan for non-urgent home improvements – particularly if she did have as much 'free cash' as the I&E suggested she did.

Secondly, Miss S was taking multiple cash advances on her credit cards. Oplo says Miss S explained that she was doing so for work trips and would expense the total spent. I do not

find this plausible – the vast majority of shops and services take credit cards so I am not persuaded the only way Miss S could pay for her work expenses was via cash. And, given the amount of ‘free cash’ Oplo believed Miss S had each month, I would also question why, if cash truly was the only way she could pay for the expenses, she was taking cash advances on her credit card which would incur a high rate of interest, rather than just use her ‘free cash’ for the purchases.

Finally, Miss S was choosing to consolidate a loan less than three months after taking it out – the loan also having been used for debt consolidation. This rapid consolidation is indicative that Miss S was struggling to manage her finances and starting to spiral into debt.

Taking everything into account, the information Oplo had at the time suggested Miss S was either struggling to maintain her finances and in a debt spiral or she was financially irresponsible and choosing to rely on high-cost lending even though she purportedly had a notable sum of disposable income each month. Either way, this amounts to a common-sense reason to doubt the information Miss S had provided about her expenditure and warranted a request for additional evidence.

Oplo says it “would be inappropriate for a lender to doubt a customer, or potential customer’s integrity without good cause...” and has repeated that the regulations do not require it to obtain bank statements. At best this is a misunderstanding of its obligations. The regulations specifically call out that it should seek independent evidence to verify expenditure if it had common sense grounds to doubt what it is being told. That is the case here and so I do not think Oplo did what it needed to do to ensure this lending was affordable or sustainable for Miss S. It follows that I uphold the complaint.

Putting things right

In those circumstances, I don’t think it is fair and reasonable for Oplo to have charged Miss S interest or fees for lending she should never have been given. It is fair that she repaid the capital, since she had the benefit of that and if I were to ask Oplo to refund the capital too that would mean Miss S would effectively have the consolidated debts written off – which would leave her in a better position than she would have been in had this lending not happened.

Instead, Oplo should:

- Calculate the total amount Miss S has paid in respect of this loan, including all fees, monthly payments and the redemption figure;
- Calculate the total amount Miss S borrowed, disregarding interest and all fees whether charged by the lender or the seller,
- Pay Miss S the difference between those two figures, adding simple annual interest of 8%* running from the date the loan was redeemed, to the date of payment; and
- Amend Miss S’ credit file so that the record of this loan is removed.

**Oplo may deduct income tax from the 8% interest element of my award as required by HMRC. But it should tell Miss S what it has deducted so that she can reclaim the tax if she’s entitled to do so.*

My final decision

For the reasons I’ve explained, I uphold this complaint and direct Tandem Home Loans Ltd

trading as Oplo to compensate Miss S as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 11 March 2024.

Lucy Wilson
Ombudsman