

The complaint

Mr O complains that Tandem Personal Loans Ltd ("Tandem"), who were 1st Stop Personal Loans Limited, provided him with credit that he couldn't afford to repay.

What happened

Tandem approved a loan of £7,000 for Mr O in February 2020. The loan was to be repaid at £204.17 per month over a 60 month period.

Mr O complained to Tandem and said they were wrong to provide credit as it wasn't affordable for him.

Tandem disagreed. They said that when they approved the loan they used a combination of credit reference agency and self-reported information to assess the application. They verified Mr O's income and considered his likely expenditure. Overall, they thought that the checks they had done were reasonable and proportionate. They said the checks suggested that after essential expenditure and credit commitments had been taken into account he would have about £416 of disposable income from which he could afford to repay the £204 per month on the loan they were offering.

Our investigator didn't agree. He thought the checks weren't reasonable and that Tandem should have dug deeper. Had they done that and considered Mr O's bank statements he explained they would have noted he was never in credit, was incurring significant fees for his overdraft usage, and had had several recent missed payments on his credit commitments. He thought that and Mr O's high credit card limit utilisation would suggest the loan wasn't affordable for Mr O and that Tandem were irresponsible to lend him the money.

Tandem didn't agree with our investigator's opinion. They thought the checks they had completed were reasonable and proportionate and they didn't, therefore, need to review bank statements. Tandem asked for a final decision by 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

I don't think Tandem completed reasonable and proportionate checks before approving the loan as I think there was evidence Mr O was overly reliant on credit and that warranted further investigation.

Mr O had five credit cards and was using 99% of the credit available to him on them (over £11,000). He'd made eight cash withdrawals from those credit card accounts in the last six months, and I think that suggested he may have been reliant on that credit for his daily living expenses.

I've thought about what Tandem would have been likely to discover if they had completed more checks. Mr O's bank statements show that he was never in credit and was incurring significant overdraft fees. There were also several missed payments noted in the month prior to his application. I think that and the high credit card utilisation and cash withdrawals would suggest that the loan wasn't affordable for Mr O and that Tandem were, therefore, irresponsible to extend it to him.

Putting things right

As I don't think Tandem should have approved the loan I don't think it's fair for it to charge any interest or charges. However, Mr O has had the benefit of the capital he lent so I think he should pay that back. Therefore, Tandem Personal Loans Ltd should:

- Deduct the repayments Mr O made from the amount he was lent.
- If this results in Mr O having paid more than he received, any overpayments should be refunded along with 8% simple interest* (calculated from the date the overpayments were made until the date of settlement).
- If any capital balance remains outstanding, then Tandem should attempt to arrange an affordable repayment plan with Mr O.
- Remove any negative information they may have recorded on Mr O's credit file relating to the loan once any outstanding balance has been repaid.

*HM Revenue & Customs may require the business to take off tax from this interest. If it does, the business must give the consumer a certificate showing how much tax it's taken off if they ask for one.

My final decision

I uphold this complaint and direct Tandem Personal Loans Ltd to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 4 June 2024.

Phillip McMahon
Ombudsman