

## **The complaint**

Mr M says Tandem Personal Loans Ltd lent irresponsibly when providing him with a loan in 2019.

## **What happened**

In September 2019, Tandem loaned Mr M £6,650 over a 48-month term. The purpose of the loan was to consolidate existing debt. The interest rate on the loan was an annual percentage rate (APR) of 30.71%. The monthly repayments were £282.32 and the total amount payable came to £10,959.36. The information Tandem recorded at the time of the application showed, among other things, Mr M had a net monthly income of £1,900.

In 2023, Mr M complained to Tandem that it had lent to him irresponsibly since it ought to have checked and seen he was unable to afford the loan.

Tandem responded that it wasn't upholding Mr M's complaint. Tandem said the loan application and credit check results were reviewed and accepted as being sustainably affordable for him.

Unhappy with Tandem's response, Mr M complained to this service. Our investigator looked into the complaint and ultimately recommended that it should be upheld. The investigator thought that Tandem hadn't carried out the checks it should have done prior to making the lending decision. They felt that, if Tandem had, it would have discovered that Mr M wasn't in a financial position to sustainably afford the loan payments, largely due to a lack of disposable income. The investigator asked Tandem to put things right for Mr M in line with our general approach.

Tandem didn't agree with the investigator's assessment of the complaint. So, the complaint was referred to me to review afresh.

## **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.

We've set out our approach to considering unaffordable and irresponsible lending complaints on our website – including the key relevant rules, guidance, good industry practice and law. And I've considered this in deciding Mr M's complaint.

Having done so, I uphold the complaint. I'll explain why.

Tandem doesn't dispute the facts the investigator relied on in their assessment. I confirm that I also broadly agree with the investigator's findings on Tandem's lending decision, and I'll briefly set out my view on the key points and on the issues Tandem's specifically challenged. In summary:

- I'm satisfied that the lending rules and provisions at that time meant Tandem needed

to assess whether it felt Mr M would be able to repay the credit, taking account of factors such as his income and expenditure.

- I recognise Tandem carried out some checks to satisfy itself that Mr M would be able to repay the credit in a sustainable way. These revealed no county court judgments, defaults and the like.
- I don't doubt that the checks Tandem carried out were consistent with its internal lending criteria. But, as I've alluded to, there were wider rules and provisions that also needed to be considered by Tandem, irrespective of its own lending criteria.
- I don't believe the checks carried out went far enough given, among other things, the term of the loan and the total Mr M needed to repay over that term. In short, it was clear this was a significant financial commitment for Mr M.
- Although Tandem satisfied itself that Mr M's income was £1,990 a month, this was virtually matched by his levels of unsecured debt if considered on an annual basis. Further areas of concern revealed by Tandem's checks include a significant amount withdrawn as cash on Mr M's credit card in the months and years prior to the loan.
- Had Tandem investigated Mr M's circumstances further, copy bank statements from 2019 indicate it would have discovered that, for instance, he was heavily reliant on his overdraft facility and was borrowing from high-cost short-term lenders to make ends meet.

Taking everything into account, I can't see that Tandem carried out proportionate checks that would have enabled it to make a reasonable assessment on affordability. Mr M's circumstances in 2019 don't indicate to me that he was able to sustainably afford the credit. As such, Tandem should put things right for him.

### **Putting things right**

I think it's fair and reasonable for Mr M to repay the principal amount that he borrowed, because he had the benefit of that lending. But he's paid interest and charges on the loan that shouldn't have been provided to him. So, I think Mr M's lost out and that Tandem should put things right for him. Tandem should:

- a) Remove all interest, fees and charges applied to the loan from the outset. Any payments made by Mr M should then be deducted from the new starting balance. If the payments Mr M's made total more than the amount he was originally lent, then any surplus should be treated as overpayments and refunded to him with 8% simple annual interest† calculated on any overpayments made, from the date they were paid by Mr M to the date the complaint's settled.
- b) If there's still an outstanding balance on the loan, then Tandem should agree an affordable repayment plan with Mr M, bearing in mind the need to treat him positively and sympathetically in those discussions, and take account of his current ability to repay the loan.
- c) Remove any relevant adverse information recorded on Mr M's credit file as a result of the lending.

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

### **My final decision**

For the reasons given, I uphold this complaint. I require Tandem Personal Loans Ltd to put things right for Mr M as explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 11 June 2024.

Nimish Patel  
**Ombudsman**