

The complaint

Mrs O says Tandem Personal Loans Ltd, trading as Oplo, irresponsibly lent to her.

What happened

Mrs O took out a loan over 72 months for £15,000 from Oplo on 3 March 2022. The monthly repayments were £383.16 and the total repayable was £27,587.96.

Mrs O says she applied for this large loan in order to pay off existing debt and Oplo failed to consider her present and future bills. As this was such a high amount she thinks a red flag should have been raised due to the fact it was for existing debt. A full investigation into her finances at the time should have taken place and this would have prevented this irresponsible, unaffordable loan being approved. To make the repayments she had to borrow on other credit cards.

Oplo says its checks were thorough and satisfactorily suggested that Mrs O would be able to sustainably afford the loan.

Our investigator did not uphold Mrs O's complaint. He said Oplo completed proportionate checks and the loan appeared to be affordable.

Mrs O disagreed with this assessment and asked for an ombudsman's review. She said Oplo should have requested her bank statements. It offered this loan to pay off debt but knew that a considerable amount of debt would remain. And Oplo in fact doubled the overall amount she owed. So Oplo should have done a very in-depth assessment. This would have shown she was in financial difficulties and it was irresponsible for them to add to this financial situation.

I reached a different conclusion to the investigator so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to send in any comment by 16 May 2024.

Extract from my provisional decision

I can see Oplo asked for certain information from Mrs O 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 O said was for debt consolidation. It asked which debts she wanted to clear and repaid the lenders directly. From these checks combined Oplo concluded the loan was affordable for Mrs O and would leave her with of £282.20 of monthly disposable income.

I am not satisfied these checks were proportionate for a number of reasons. I'll explain why.

The loan was over a long-term and the monthly repayment was a relatively high proportion of Mrs O's income. Based on Oplo's analysis it also understood she would still be spending a significant portion of her income on her credit commitments, even after settling six of her

accounts. Five of these accounts were credit cards – so Mrs O would likely still have access to those lines of credit after clearing the existing balances. I can't see Oplo knew she was closing the accounts. And the initial checks showed Mrs O was using an overdraft facility that this loan was not going to repay. In addition, there were other items on the credit check that could have been a concern – three new accounts opened in the last six months; 11 minimum payments in the last 12 months and the use of credit to withdraw cash (£1,250 in the last 12 months). These multiple factors combined ought to have led Oplo to carry out further checks.

I have reviewed Mrs O'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.

Having done so I think Oplo, as a responsible lender, would have made a different lending decision had it completed proportionate checks. I say this as the statements show Mrs O was already having financial difficulties. She was persistently reliant on her overdraft and was not using that product as it is intended for short-term borrowing. There were multiple returned direct debits and some use of payday lending. In such circumstances I find it was irresponsible for Oplo to extend the overall cost and term of Mrs O's indebtedness.

In addition, as she was not using this loan to clear her overdraft there was a high risk she would rely on this borrowing to repay the loan – and so would not be making her repayments sustainably, that is without borrowing to repay.

It follows I think Oplo was wrong to lend to Mrs O. I have not seen any evidence it acted unfairly towards Mrs O in some other way.

I then set out what Oplo would need to do to put things right.

Mrs O responded saying she had no information to add and was satisfied with the provisional decision. Oplo did not reply.

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.

As neither party submitted any new evidence or comments for me to consider I have no reason to change the findings and outcome in my provisional decision.

It follows, for the reasons set out above, I think Oplo was wrong to lend to Mrs O.

Putting things right

It is fair that Mrs O 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 will have to:

- Remove all interest, fees and charges from the balance on this loan, and treat any repayments made by Mrs O as repayments of the principal.
- If this results in Mrs O having made overpayments then Oplo should refund these overpayments to Mrs O 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 O, treating her fairly and with forbearance as appropriate.
- Remove any adverse information recorded on Mrs O'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 O 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 Miss O'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 O to accept or reject my decision before 14 June 2024.

Rebecca Connelley
Ombudsman