

The complaint

Miss C complained that Tandem Personal Loans Ltd (“Tandem”) irresponsibly granted her a loan, in December 2020, that she couldn’t afford to repay.

What happened

Miss C took out the loan of £8,000, over a term of 48 months, in December 2020. The monthly repayment was £258.85. Part of the loan (£1,563.66) was used to pay off a loan with another lender, and the remainder (£6,436.34) was paid into Miss C’s bank account.

Miss C doesn’t think Tandem carried out reasonable and proportionate checks before granting the loan. She doesn’t think the loan should’ve been approved, and says she is in financial difficulties as a result, and that this has affected her mental wellbeing. Miss C would like Tandem to refund the interest and charges on the loan and to remove any adverse information from her credit record.

Miss C complained to Tandem about all this. Tandem said it had carried out the appropriate checks before granting the loan, and it told her that it did not uphold her complaint. She then brought her complaint to this service. Our investigator looked into it and thought it should be upheld. Tandem didn’t agree, and asked for it to be reviewed 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, and I’ve taken this into account here.

I’ve decided to uphold Miss C’s complaint. I’ll explain why.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn’t a set list of checks required of a lender, but it needs to ensure the checks are proportionate when considering matters such as the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer’s circumstances. So I’ve considered whether Tandem completed reasonable and proportionate checks to satisfy itself that Miss C would be able to make the repayments on the loan in a sustainable way.

Miss C sent in copies of bank statements for the months leading up to the loan, and a copy of her credit history. Tandem sent in details of the checks it carried out, two call recordings and a copy of the information it obtained about Miss C’s credit history, along with a copy of the loan agreement.

Tandem said that it conducted a full income and expenditure assessment with Miss C, using the income declared in her application, which was validated using credit reference agency information and a payslip provided by Miss C. It told us that the assessment took into

account Miss C's monthly net income, the repayments on her existing credit commitments, (bearing in mind that one loan was to be consolidated) and also household expenditure and cost of living. Miss C had told Tandem that bills were split with her partner, so it allocated half of the mortgage payments and household bills to Miss C in its disposable income calculation.

Tandem went on to say that once all of this had been considered, Miss C had £548.64 monthly disposable income, and once the new loan payment was taken into account, this left £289.79 each month, showing that she had a reasonable amount of disposable income. On this basis, Tandem did not require sight of Miss C's bank statements.

I've looked at the figures Tandem used in its calculation. It looks as though Miss C told Tandem that her net monthly income was £1,943. I've listened to the two phone calls, and Miss C stated her income as £1,980 each month. The credit reference information showed £1,976. (Miss C's payslip showed a higher figure, but this included some overtime.) So I think it was reasonable for Tandem to take Miss C's income as the £1,943 she originally stated. It also took into account her child benefit payments, bringing the total monthly income to £2,025.80.

Turning to outgoings, Tandem said this came from information provided by Miss C, as well information on her credit file.

Miss C's credit commitments consisted of three personal loans (one of which was to be repaid), a mail order account and two credit cards. She was also contributing half of the monthly mortgage repayments. Tandem listed the total monthly outgoings in relation to these commitments as £1,044.82. Of this, the loan to be repaid had a monthly payment of £252.12, to be replaced by the Tandem loan with a monthly payment of £258.85. This brings the new total to £1,051.55. However, I can't see that Tandem considered Miss C's overdraft – she had a limit of £2,150 and was using this regularly.

I also note that Tandem assumed monthly payments of 3% of the balance on Miss C's credit card and mail order accounts. However, mail order accounts don't necessarily have the same payment terms as credit cards, and I think it's possible that the mail order payment was understated (and as the balance of the account was just over £2,600, this could've affected the affordability calculation). I've no evidence to suggest that Tandem checked this with Miss C.

Looking at the household expenses, Tandem has included food, utilities, travel, and insurances and stated a total monthly cost of £664.44. However, I can see no reference to council tax, nor any allowance for personal necessities such as clothing and personal care. And there is no reference to any expenses in relation to Miss C's child.

I've also looked at Miss C's credit history, and I can see that the three loans Miss C held had all been taken out in the preceding 14 months – and the amount borrowed totalled £22,000. At the point of the application for the Tandem loan, Miss C had a total of just under £25,000 outstanding on all of her loans, cards, and mail order. There were 6 searches on her credit record registered over the preceding year, suggesting that Miss C had been looking for more credit.

Miss C seems to have missed a payment to her largest loan in September 2020, and a payment to her mail order account in October 2020. One of her credit cards showed an outstanding balance but no monthly payments made after July 2020. Tandem queried the missed mail order payment during one of the phone calls, and Miss C explained that as a dispute with the business, but the other missed payments were not raised.

Having looked at all of the evidence provided, I'm not satisfied that Tandem carried out reasonable and proportionate checks before granting the new loan. I say this because Miss C had increased her borrowing substantially over the preceding year, to a level equivalent to her annual net income, and the new loan would increase this further. Taken together with the searches on Miss C's credit record, and signs of recent missed payments, I think this is suggesting a possible over-reliance on credit and should reasonably have prompted more detailed enquiries about Miss C's circumstances.

As I noted above, Miss C sent in copies of her bank statements for the months leading up to the loan being granted. I accept that there are a number of transfers to other bank accounts, but Miss C has provided information to the effect that the transfers were to and from family members, and I've no reason to doubt this.

The statements show that Miss C's account was persistently in overdraft, and that she was frequently using her overdraft limit to the full. This indicates to me that Miss C was reliant on credit given that she was showing no signs of being able to reduce the overdraft after meeting her other commitments.

Taking all this into account, I think that, had Tandem had carried out more detailed enquiries, it would have found that Miss C was unlikely to be able to make the loan repayments on a sustainable basis. I say this because, although I accept that the Tandem loan was partly to consolidate another loan, the monthly payments were slightly higher, and over a longer term. So it did not improve Miss C's position. And the repayments would have been made entirely from other borrowing – that is, the overdraft. In addition, and as I explained above, it seems to me that Tandem had underestimated Miss C's outgoings in relation to her essential living expenses, and possibly in relation to her mail order payments.

In summary, I'm not satisfied that the new loan was affordable or sustainable for Miss C. So I don't think Tandem acted fairly in granting it. As a result, I've decided to uphold Miss C's complaint.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I am proposing below results in fair compensation for Miss C in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

I think it's fair and reasonable for Miss C to repay the capital that she borrowed in December 2020 because she has had the benefit of that money. But she has paid interest and charges on a loan that shouldn't have been provided to her. Tandem must put this right.

It should:

- remove all interest, fees and charges applied to this loan from the outset. The payments Miss C has made should be deducted from the new starting balance – the £8,000 originally lent. If, once all adjustments have been made, this shows that Miss C has made overpayments leading to a credit balance, these overpayments should be refunded to Miss C, together with interest at 8% simple a year* from the date they were made to the date of settlement.
- if, once all adjustments have been made, this shows that Miss C still has an outstanding amount to repay, Tandem should contact Miss C to arrange a suitable repayment plan.
- Once the capital has been repaid, Tandem should remove any adverse information

(if any), recorded on Miss C's credit file in relation to the loan.

*HM Revenue & Customs requires Tandem to deduct tax from any award of interest. It must give Miss C a certificate showing how much tax has been taken off if she asks for one.

My final decision

For the reasons set out above, I have decided to uphold Miss C's complaint, and to require Tandem Personal Loans Ltd to compensate Miss C as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 4 October 2024.

Jan Ferrari
Ombudsman