

The complaint

Ms H complains that The One Stop Money Shop Limited gave her a loan that was unaffordable. She said it didn't carry out the correct credit checks when the loan was granted.

What happened

In July 2020, Ms H took out a loan with The One Stop Money Shop. She borrowed £400 over a term of 12 months.

Ms H complains that the loan was unaffordable. She said that The One Stop Money Shop did not carry out the correct credit checks before granting the loan. She wants it to refund all of the interest and charges that were applied to the loan.

I issued a provisional decision proposing to uphold the complaint. My provisional findings, which form part of this decision were:

The One Stop Money Shop has given us evidence that shows the checks it carried out before it approved the loan for Ms H. It was required to carry out reasonable and proportionate affordability checks. It has provided evidence that it assessed Ms H's income and expenditure, verified her income and undertook a search of her credit file.

The application was approved on the basis that Ms H earned £1,800 a month. That is slightly under the net monthly pay Ms H received on the payslip that The One Stop Money Shop had. That figure includes amounts that were not guaranteed, such as additional pay for Bank Holidays and night work. But looking at the year-to-date figures, it would not have been unreasonable for The One Stop Money Shop to conclude that Ms H had a track record of receiving at least the net monthly pay shown on the payslip. So I consider it was reasonable for it to use the income figure it did when assessing affordability.

I'd also note that Ms H has provided her P60 for the year ending April 2021. That showed she earned over £28,000 that year. That equates to a net monthly income of over £1,800. So that supports the figures used by The One Stop Money Shop in respect of income were not unfair or unreasonable.

But looking at all of the information available to The One Stop Money Shop, I don't consider the checks it carried out were proportionate. Ms H's credit file showed that she had balances of over £13,000. But The One Stop Money Shop recorded that her debt repayments were £200 a month, including £50 a month on credit cards. Assuming Ms H needed to pay 3% of those balances her payments would be considerably more than declared. And that does not take into account that Ms H was over her agreed limits by at least £200 and at, close to, or over the limit on 11 accounts. She also had a relatively recent history of missed or late payments and of using pay day loans.

Overall, I think that a responsible lender acting reasonably would have had reason to doubt the information Ms H had supplied about her expenditure, that she was managing as she was and that new borrowing would be sustainable for her. There are clear indicators of

current financial stress and instability at the time Ms H applied for the loan. So I think The One Stop Money Shop ought to have done more to verify her expenditure, for example by looking at her bank statements.

Ms H has given us copies of her bank statements for the three months before the loan was granted. They show that Ms H was almost always overdrawn, regularly over her agreed overdraft limit and she'd used short term lending at least three times during that period.

Therefore, I consider if The One Stop Money Shop had acted fairly and reasonably it would have declined Ms H's application. Bearing in mind Ms H's situation at the time the loan was approved, further debt was likely to cause her harm. The information we have would suggest that she was already struggling to manage her existing commitments. It wasn't fair for The One Stop Money Shop to add to that by putting her further in debt.

Putting things right

Where a business has not acted fairly or reasonably, we usually look to put the consumer back in the position they would have been in had they been treated fairly in the first place. In this case, I do not consider that The One Stop Money Shop would have approved the loan if it had acted fairly. So it should put Ms H in the position she would have been in had it not agreed the loan.

Therefore, as I understand the loan has been repaid, The One Stop Money Shop should:

- Add up the total amount it lent to Ms H – less any interest, fees and charges.*
- Deduct all of the repayments that Ms H made from the above amount.*
- If the above recalculation results in Ms H having paid more than the amount originally lent, then The One Stop Money Shop should refund any overpayments and pay interest at 8% simple per year from the date any overpayment was made until date of settlement. The One Stop Money Shop should remove any adverse information from Ms H's credit file in relation to the loans.*

If HM Revenue and Customs requires The One Stop Money Shop to take tax off the interest, it should give Ms H a certificate showing how much tax it has deducted, if she asks for one.

Ms H accepted what I said. The One Stop Money Shop did not. It responded to make a number of points, including:

- It accepted there were balances of around £10,000 on credit cards and mail order. The minimum payment would be around £365 a month. Ms H's average net salary was £1,892 a month.
- It accepted the total debt repayments were understated. But I was wrong to say that was because of the amount The One Stop Money Shop had recorded – that was the amount Ms H had declared.
- Overall, Ms H was using 80% of her available credit limits. Using that information and the information declared by Ms H, it shows a disposable income of £1,000.
- If it had reviewed Ms H's bank statements then it would have made a different decision, but it did not feel that asking for that information was proportionate based on the loan amount and the fact this was Ms H's first loan. It believed the checks were reasonable and proportionate to the type and amount of credit.

- Ms H's current accounts showed overdraft usage but only one exceeded the overdraft limit.
- Out of all the accounts on the credit report only one showed two months had been concurrently missed. It did not feel the occasional missed payment – especially on credit cards – is a major issue, especially as it is a lender that specialises in providing finance to those unable to obtain mainstream credit.

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.

I've thought carefully about what The One Stop Money Shop has said in response to my provisional decision. But after doing so, I was not persuaded to reach a different decision here. I will explain why.

I accept that in many cases where a borrower had the same amount of income as Ms H and was only borrowing £400, the checks The One Stop Money Shop carried out might well be reasonable and proportionate. But I must consider the individual circumstances of this complaint.

I am sorry if my provisional decision was not clear. My understanding was the same as The One Stop Money Shop's – that is that the outgoings it recorded were what Ms H told it about her circumstances. So as a starting point, The One Stop Money Shop had good reason to doubt what Ms H had told it. She has under declared her outgoings. Of course, there was no requirement for Ms H to make payments to her overdrawn balances, which made up around £3,000 of her debt.

The One Stop Money Shop said that Ms H was only utilising 80% of her available credit limits. I'm not sure that is correct. But it does not make any difference here. Ms H's credit file showed that she was over her agreed overdraft limit on one bank account by £200, and at the agreed limit or just over on two others. She was also over the credit limit on two of her credit cards by a total of £42. Further she was one month in arrears on one credit card and had been in arrears the previous month on two other credit cards. Other credit cards were close to the agreed limit.

Based on the information available to The One Stop Money Shop Limited, I consider a responsible lender acting reasonably would have had good reasons to doubt that Ms H was managing as she was – her credit history was not consistent with a borrower who had a disposable income of £1,000 a month. In view of that, I don't consider the checks it carried out were proportionate in the individual circumstances of this complaint.

I consider The One Stop Money Shop should have verified Ms H's expenditure by looking at her bank statements. If it had done so, it would not have lent to Ms H for the reasons I set out in my provisional decision. So I see no reason to reach a different outcome than I did in my provisional decision.

Putting things right

As I understand the loan has been repaid, The One Stop Money Shop should:

- Add up the total amount it lent to Ms H – less any interest, fees and charges.

- Deduct all of the repayments that Ms H made from the above amount.
- If the above recalculation results in Ms H having paid more than the amount originally lent, then The One Stop Money Shop should refund any overpayments and pay interest at 8% simple per year from the date any overpayment was made until date of settlement. The One Stop Money Shop should remove any adverse information from Ms H's credit file in relation to the loans.

If HM Revenue and Customs requires The One Stop Money Shop to take tax off the interest, it should give Ms H a certificate showing how much tax it has deducted, if she asks for one.

My final decision

My final decision is that I uphold this complaint. The One Stop Money Shop Limited should take the steps set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 4 April 2025.

Ken Rose
Ombudsman