

## **complaint**

Mr G complains about George Banco.com Limited ("George Banco"), regarding loans it has made to him over the past few years. Mr G believes that the initial loan, and top up loans which were subsequently made, were unaffordable. He wants George Banco to waive the interest he has been charged as he believes he has already repaid more than the loan capital amounts.

## **background**

In early 2016, Mr G applied for a loan from George Banco. He provided brief information regarding his income and expenditure in his application, and was approved for a £2000 loan, over 48 months. He G applied with a family member as guarantor for the loan.

The rate of interest was around 47% APR and an administration charge of £240 was applied to the loan. The total repayable on the loan was £3994.08.

Mr G made repayments on this loan, at around £83 per month.

Around 6 months later, while the loan had around 42 months remaining on the term, Mr G was offered a 'top up' loan to bring the loan amount to £3500. He applied and was approved, extending the term of the loan to 60 months.

A further administration charge of £420 was applied and the total repayable then stood at around £7900.

Mr G made his repayments on this loan, at around £131 per month.

Around 6 months later, Mr G was invited to apply for a further 'top up' loan to bring the loan amount to £5100. He applied and was accepted, on a term of 60 months.

A further administration charge of £612 was added to the debt, bringing the total repayable to around £11,500.

Mr G made repayments but quickly encountered difficulty meeting the monthly repayment of around £190. Within two months he had to split his repayment into stages, and then missed repayments in early 2018.

Mr G made a complaint to George Banco, saying that he felt that the lending had been irresponsible and unaffordable.

George Banco sent Mr G its final response in early 2019 rejecting his complaint. It said that income verification and affordability checks had been conducted on his applications, and on his guarantor.

Mr G was not happy with that response and contacted us.

Mr G has continued to struggle to meet his repayments and has amassed arrears. By June 2019, his arrears stood at more than £1100 and George Banco terminated the agreement, demanding nearly £7500 to settle the debt.

One of our adjudicators has looked into this matter and has set out her view to the parties. This view was that George Banco had not demonstrated that it had carried out sufficient affordability checks on Mr G prior to lending, either initially or in the two increases to his loan.

She considered that, had George Banco undertaken proper checks, it would have identified that Mr G had much more limited disposable income than he indicated in the brief information requested of him. She also felt that the credit searches which George Banco undertook showed Mr G had significant residual debt, arrears and defaults which George Banco should have taken into account. She therefore considered that Mr G should only have to repay the money he received from the loan, and that any interest and charges charged should be refunded to him.

George Banco did not accept that view and argued that Mr G's bank statements were not reliable as they linked to another person. George Banco considered that at the time of the first loan Mr G had disposable income of more than £450 per month and so it considered that the loans were affordable. George Banco therefore asked for an ombudsman decision.

### **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I have, in particular, considered the information provided by George Banco which it based its lending decisions on.

Mr G has provided bank statements from the relevant time and has set out his recollection of his income and expenditure from that time. The statements are not especially informative as they show transfers between bank accounts and some payments, including shared expenses and income.

The credit searches provided by George Banco, however, show significant issues in Mr G's borrowing history and relatively high levels of debt outstanding at the time.

I have not seen evidence from George Banco that these issues were properly considered, alongside the information in Mr G's application form, in order to assess whether the initial borrowing would be affordable for him. I agree with the adjudicator's view that, had this analysis been done, then George Banco would have likely concluded that the initial loan was not reasonably affordable to Mr G.

Similarly, in respect of the two increases to the loan, these were offered only a short time after each previous loan, and I cannot see evidence of proper consideration of the affordability of these loans. Indeed, that they would be required only a few months into a 4 or 5 year term would indicate that there were issues with the existing borrowing, which would not be helped by substantially increasing both Mr G's monthly repayments and his overall indebtedness. This is particularly so given the high rate of interest and the high administration fees which were added to the debt.

Consequently, I agree with the adjudicator's reasoned view and consider that the lending to Mr G was unaffordable, both initially, and at the subsequent increases.

The adjudicator indicated that in her view George Banco should calculate the total which Mr G has received from the loans made to him, and return any sums in excess of this which he

has already repaid. Any overpayment returned to him should include interest at a rate of 8% p/a from the date of his payment up until settlement of the complaint.

She also considered that George Banco should remove any negative information from Mr G's credit file relating to these loans. I agree with this resolution.

For the avoidance of doubt, all administration fees should be refunded to the account, even if already paid.

I consider that the above will appropriately compensate Mr G for the failings in the service. I do not make any separate award for distress and inconvenience.

### **my final decision**

For the reasons set out above, I uphold Mr G's complaint and direct George Banco.com Limited to:

- Calculate the total sum which Mr G received as drawdown on his loans;
- Repay to him any sum in excess of the amount which he received, along with 8% simple interest from the date when he paid the sums, up until settlement;
- If there remains any balance owed by Mr G from the lending he received, to contact Mr G with proposals for a repayment plan; and
- To remove any negative information from Mr G's credit file regarding these loans.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 9 May 2020.

Laura Garvin-Smith  
**ombudsman**