

Complaint

Ms C has complained about a personal loan Oplo PL Ltd (“Oplo”) which she says was unfairly lent to her.

She says the loan was unaffordable.

Background

Oplo provided Ms C with a loan for £10,000.00 in May 2019. This loan had an APR of 28.85% and the total amount to be repaid of £16,096.32, which included interest fees and charges of £6,096.32, was due to be repaid in 48 monthly instalments of just over £335.

One of our adjudicators reviewed what Ms C and Oplo had told us. He thought that Oplo ought to have realised that it shouldn't have provided this loan to Ms C and so upheld the complaint.

Oplo disagreed and asked for an ombudsman to take a look at the case.

My provisional decision of 3 July 2023

I issued a provisional decision – on 3 July 2023 - setting out why I wasn't intending to uphold Ms C's complaint. I won't copy that decision in full, but I will instead provide a summary of my findings.

I started by explaining that we've explained how we handle complaints about irresponsible and unaffordable lending on our website. And that I'd used this approach to help me provisionally decide Ms C's complaint.

Oplo needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice, what this means is that Oplo needed to carry out proportionate checks to be able to understand whether Ms C could afford to make her repayments before providing this loan.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to provide loans to a customer irresponsibly.

Oplo said it approved Ms C's application after she provided details of her monthly income and some information on her expenditure. It said it cross-checked this against information on a credit search it carried out. In Oplo's view all of the information it gathered showed that Ms C could comfortably afford to make the repayments she was committing to.

On the other hand, Ms C said she was already in difficulty and couldn't afford this loan.

I carefully thought about what Ms C and Oplo said.

It was clear that Oplo did obtain a reasonable amount of information before it decided to proceed with Ms C's application. And this information did appear to suggest that the loan repayments were affordable for Ms C. Indeed our adjudicator appeared to have accepted this but he in any event thought that the percentage of Ms C's income that would be going towards credit repayments was unsustainable.

I did think about the percentage of Ms C's income that would be going towards repayments to credit. However, the information from the time suggested that Ms C was going to use the majority of the funds from this loan to settle other debts. I could see that Ms C provided Oplo with an undertaking that she would settle the outstanding balance on seven accounts.

I didn't know if Ms C did use the funds in the way that she'd undertaken to. But I explained that Oplo could only make a reasonable decision based on the information it had available at the time. It had a written undertaking from Ms C and I thought that it was reasonably entitled to believe that Ms C would follow through with her commitment.

I also thought that it was worth noting that there appeared to be no dispute that the monthly payments were affordable whether or not the existing balances were cleared. So I didn't think that Oplo had to contact Ms C's existing creditors and clear the balances on her accounts in the way that our adjudicator had suggested.

Furthermore, as this was a first loan Oplo was providing to Ms C, there wasn't a history of Ms C obtaining funds and then failing to consolidate debts elsewhere in the way she committed to. So given the particular circumstances here, I was satisfied that Oplo was reasonably entitled to believe that Ms C would be left in a better position after being provided with this loan.

I did accept that Ms C's full circumstances may not have been reflected in the information Oplo gathered or in the information she had since provided. But it was only fair and reasonable for me to uphold a complaint in circumstances where a firm did something wrong.

Given the circumstances here, and the lack of obvious inconsistencies, I didn't think that Oplo did anything wrong when providing this loan to Ms C - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. And it obtained written confirmation from Ms C that she'd use the funds to clear what she owed elsewhere.

So overall and having considered everything, I was not persuaded that Oplo acted unfairly or unreasonably when lending to Ms C. And I wasn't intending to uphold Ms C complaint.

Responses to my provisional decision

Ms C confirmed that while she was very disappointed with my provisional decision she had nothing further to add.

Oplo confirmed that it accepted my provisional decision and that it had nothing further to add.

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 set out in some detail why I wasn't intending to uphold Ms C's complaint in my provisional decision of 3 July 2023. As I've not been provided with anything further to consider by the parties, I've not been persuaded to alter my conclusions. So I still don't think that Oplo failed to act fairly and reasonably towards Ms C and I'm not upholding this complaint.

I appreciate that Ms C is very disappointed. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained above and in my provisional decision of 3 July 2023, I'm not upholding Ms C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 7 August 2023.

Jeshen Narayanan
Ombudsman