

## **The complaint**

Mr S has complained about a guarantor loan that was provided by Everyday Lending Limited, trading GeorgeBanco.com ('George Banco'). He says that the loan was unaffordable to him as the loan guarantor.

## **What happened**

Mr S, who is represented by a third party, became the guarantor on a loan of £5,000 provided to the borrower in May 2016.

The loan was secured by way of a guarantee and indemnity agreement and was due to be repaid in 60 instalments of £187.39. The total amount to be repaid was £11,275.00.

Mr S is now being required by George Banco to repay the loan under the terms of a guarantee and indemnity agreement.

Mr S says that George Banco didn't carry out proper affordability checks and that had it done so it would have seen that the loan could not be sustainably repaid by Mr S if he was required to do so.

One of our investigators reviewed what Mr S and George Banco had told us. And she thought that George Banco hadn't done anything wrong or treated Mr S unfairly. So she didn't recommend that Mr S's complaint be upheld. Mr S disagreed and asked for an ombudsman to look at his complaint.

## **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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including the key rules, guidance and good industry practice related to guarantor loans - on our website. And I've referred to this when deciding Mr S's complaint.

Having carefully thought about everything, I'm not upholding Mr S's complaint.

George Banco needed to make sure that it didn't act irresponsibly in relation to the loan. In practice, what this means is George Banco needed to carry out proportionate checks to be able to understand whether Mr S could afford to meet the loan repayments.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, the rules and regulations that were in place required George Banco to carry out a reasonable and proportionate assessment of whether Mr S, as the guarantor for the borrower, could afford to repay the loan in a sustainable manner. The existence of a guarantee and indemnity agreement and the potential for George Banco to pursue Mr S, instead of the borrower, for the loan payments, doesn't alter, lessen or somehow dilute this obligation.

As the borrower isn't part of this complaint, I don't have evidence of any checks George Banco may have carried out for them. But the lack of that information isn't a concern here because it is Mr S that George Banco is seeking to enforce the guarantee and indemnity agreement against. And so Mr S has been called upon to meet the outstanding payments.

George Banco says it agreed to Mr S being the guarantor after he provided details of his monthly income and some information on his regular expenditure. This included that he was living at home with his parents, had no dependants and that his monthly contribution towards housing costs was £40. George Banco says it cross-checked this information against information on a credit search it carried out. Based on these checks it looked as if Mr S could afford to make the repayments, if required to do so. On the other hand, Mr S has said he wasn't in a good enough financial position at the time.

I've carefully thought about what Mr S and George Banco have said. The first thing for me to say is that George Banco has provided a record of the results of its credit searches. These searches show that he was managing his two bank accounts and credit card well with no history of defaults or other adverse markings on his credit file. So I think it's fair to say that Mr S's active credit commitments were relatively low and were being reasonably well managed.

I do accept that Mr S's actual circumstances may not have been fully reflected either in the information he provided or the other information George Banco obtained. Equally I accept that if George Banco had gone into a much greater depth of checks it may have reached a different answer. But I think the key thing here is that the checks that were carried were proportionate and didn't suggest any underlying problems, or possible inconsistencies with what Mr S had told George Banco about his financial situation. I therefore don't think that George Banco did anything wrong when accepting Mr S as the borrower's guarantor. Rather, it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were likely to be affordable.

I've seen that when responding to our investigator's finding, Mr S said he felt it was wrong that he'd been required to meet the payments. But I've also seen a copy of the guarantee and indemnity which he would have the opportunity to fully consider before signing it. It was open to him to choose not to go ahead with it at that point.

So overall I don't think that George Banco treated Mr S unfairly or unreasonably when accepting him as a guarantor for this loan and to expect him to meet the repayments due under the terms of the loan if required to do.

It follows that I won't be upholding Mr S's complaint. I know this will be disappointing for Mr S. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr S's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 15 September 2023.

Michael Goldberg  
**Ombudsman**