

The complaint

Miss S complains that 1Plus1 Loans Limited irresponsibly provided her with an unaffordable guarantor loan.

Miss S is represented by a claims managed company, but for ease I'll refer to all submissions as if they are her own.

What happened

In August 2021 1Plus1 Loans provided Miss S with a £5,000 loan over a 48-month term. The repayments were around £208 a month and the total repayable value was around £10,000.

In July 2022 Miss S complained to 1Plus1 Loans. She said it had irresponsibly provided her with the loan as it was unaffordable for her; and had 1Plus1 Loans completed reasonable and proportionate checks it would have identified this.

Miss S referred her complaint to our service for review in September 2022 after 1Plus1 Loans issued its final response not upholding her complaint. Our investigator reviewed the complaint and didn't uphold it. She concluded 1Plus1 Loans' checks were reasonable and proportionate based on the terms of lending being approved, and the information it had obtained about Miss S's financial circumstances; and that it had gone on to make a fair lending decision when approving the loan.

Miss S didn't accept our investigator's outcome. She said the evidence at the time suggested she was utilising her overdraft to afford her regular monthly expenditure, as well as her credit commitments. She maintained her position that the loan wasn't sustainably affordable for her. Miss S asked for an ombudsman's review, so the complaint has been passed to me to decide.

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.

Having done so I've reached the same conclusions as our investigator, for broadly the same reasons. I appreciate this will be disappointing to Miss S.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website.

1Plus1 Loans needed to take reasonable steps to ensure it lent responsibly to Miss S. The relevant rules, regulations and guidance at the time 1Plus1 Loans provided the lending required it to carry out reasonable and proportionate checks. These checks needed to assess Miss S's ability to afford the loan and repay it sustainably over its term, without causing her financial difficulties or harm.

There isn't a set list of checks 1Plus1 Loans needed to carry out, but the checks should be proportionate, considering things like the type, amount, duration, and total cost of the credit, as well as Miss S's individual circumstances.

And it isn't sufficient for 1Plus1 Loans to just complete proportionate checks – it must also consider the information it obtained from these checks when going on to provide the lending.

1Plus1 Loans says it obtained Miss S's declared income and expenditure, all of which it verified by obtaining access to Miss S's bank account via open banking and by going through a detailed income and expenditure assessment with her over the phone. It also completed a credit check to obtain details of Miss S's credit commitments and the management of her credit accounts. It says these checks were proportionate and that it went on to make a fair lending decision when approving this loan.

I've carefully considered 1Plus1 Loans' arguments and I agree its checks were proportionate; and that it went on to make a fair lending decision in this instance.

I say this because I've reviewed the evidence 1Plus1 Loans obtained which I consider enabled it to gather a detailed understanding of Miss S's financial situation at the time. 1Plus1 Loans verified Miss S's income which averaged around £2,700 per month across the two months' worth of statements leading up to this loan. Miss S declared she paid £450 towards her share of rent and bills; which is evidenced within the open banking transactions it obtained. Miss S also declared her food and travel costs to be around £500 per month, meaning her total non-discretionary expenditure totalled just under £1,000 per month.

The credit check 1Plus1 Loans completed showed Miss S had around £16,700 total outstanding debt at the time of this loan, roughly 40% of her yearly income. This loan would allow Miss S to consolidate the majority of her revolving credit debt and look to get her finances in a better position, which was clearly the main driving factor for her as expressed within the initial income and expenditure call which I've listened to.

Although Miss S had opened a number of credit accounts within a relatively short period of time before this loan, the credit file shows she was largely maintaining her accounts well, with no arrears or recent adverse markers. She had defaulted on an account, but this was around four years prior to this loan being provided. So, I don't consider there was anything within the information 1Plus1 Loans obtained from the credit file check which ought reasonably to have caused it concern.

Miss S declared she was looking to consolidate the majority of her revolving credit with this loan. I've calculated Miss S would be paying around £800 per month towards her remaining credit commitments and payments towards this loan, equating to around 30% of her monthly income. Taking into account Miss S's verified salary, monthly non-discretionary expenditure and monthly credit commitments, Miss S would be left with around £1,000 disposable income to cover over living costs and discretionary spending.

I've identified some transactions to online gambling companies within the open banking report 1Plus1 Loans obtained. But on review I don't consider that the volume or total value of these averaged across the months ought to have been of concern to 1Plus1 Loans, or required it to obtain further information around this.

Miss S has said she was using her overdraft and this ought to have been of concern to 1Plus1 Loans. I've seen from the evidence that Miss S was utilising her overdraft, but her salary did bring the account into a credit position on a monthly basis. So, Miss S was utilising this line of credit as intended. And as I've found above, Miss S was left with a reasonable level of disposable income once all non-discretionary expenditure and credit commitments

were accounted for. So, I don't consider Miss S's management of her overdraft facility ought to have been of concern to 1Plus1 Loans.

Taking all the above into account I'm satisfied 1Plus1 Loans' checks enabled it to obtain a detailed understanding of Miss S's financial position around the time of this loan; and led to it reasonably concluding this loan would be sustainably affordable for her across its full term.

As such I'm satisfied 1Plus1 Loans made a fair lending decision when approving this loan; and I'm not directing it to take any further action in resolution of Miss S's complaint.

My final decision

For the reasons set out above my final decision is that I'm not upholding Miss S's complaint about 1Plus1 Loans Limited and therefore don't require it to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 24 August 2023.

Richard Turner
Ombudsman