

The complaint

Mr K complains that Oplo PL Ltd trading as Oplo lent to him irresponsibly.

What happened

In July 2021 Mr K applied for a loan. Oplo approved the loan application and gave Mr K a loan for £2000 over a term of 24 months with repayments of £120.16 per month.

In November 2021 Mr K applied for a second loan. Oplo approved the application and gave Mr K a loan for £5,600 over a term of 36 months with repayments of £232.48 per month.

Mr K complained that Oplo had lent to him irresponsibly.

Oplo didn't uphold the complaint. It said it had carried out proportionate checks before lending to Mr K.

Mr K remained unhappy and complained to this service.

Our investigator upheld the complaint. He said that the information Oplo obtained from the checks should've prompted it to find out more before deciding to lend. The investigator said that Mr K's bank statements from the months prior to the loans showed that the loans were unaffordable.

Oplo didn't agree. It said that the information it had obtained from the checks indicated that the loans were affordable.

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 approach to complaints about irresponsible and unaffordable lending on our website. I've had this approach in mind when considering Mr K's complaint.

Before agreeing to lend, Oplo needed to carry out reasonable and proportionate checks to ensure that Mr K could sustainably repay what was being lent to him.

There's no set list of checks that a lender has to carry out. But lenders are required to take into account things like the amount lent, the total amount repayable, the monthly repayment and the consumer's individual circumstances when deciding what's reasonable and proportionate.

Loan 1

I've looked at the checks that Oplo carried out to decide whether these were reasonable and proportionate.

Mr K provided details of his income and expenditure in his application. Oplo verified this

using an industry tool. Oplo carried out a credit search. This showed that Mr K had 17 active credit accounts, with total unsecured debt of around £38,535. There were missed payments and payment arrangements on some of the active accounts within the last 24 months. There were no defaults or CCJ's.

Oplo carried out an affordability assessment and calculated that Mr K had monthly disposable income of £836.18. It decided that the loan repayment of £120.16 was affordable for Mr K.

Looking at the information obtained from the checks, I think it would've been proportionate for Oplo to carry out further checks to get a better understanding of Mr K's financial circumstances. I say this because Mr K's debt repayments (based on monthly income of £2,992 and monthly debt repayments of £1,297) including the loan) meant that he was using 43% of his monthly income to repay debt. I also think that Mr K's overall level of unsecured debt and his history of missed payments ought to have prompted Oplo to carry out further checks.

I've gone on to consider what reasonable and proportionate checks would likely have shown. I don't know what further checks Oplo would have carried out and what these might have shown. I've looked at Mr K's bank statements for the three months prior to the lending decision because I think this gives a fair indication of Mr K's financial circumstances at the time.

The bank statements show that the figures provided in the affordability assessment for Mr K's income and expenditure are accurate. But the statements also show that Mr K had a gambling addiction, spending over £2,400 on gambling in one month. Mr K was using credit to fund his gambling addiction. Looking at Mr K's statements, I don't think further credit was sustainable.

I appreciate that Oplo has said that it had no reason to suspect that Mr K had an undisclosed gambling problem and therefore it didn't see the need to look at his bank statements. But as I've explained above, I think Mr K's high debt to income ratio should've promoted Oplo to carry out further checks. If Oplo had carried out further checks, I think it's likely that it would have discovered that Mr K had a gambling problem. I don't think Oplo should've lent to Mr K in these circumstances.

Loan 2

I've thought about whether there had been a change in Mr K's circumstances between loan 1 and loan 2. I've looked at Mr K's bank statements for the period leading up to loan 2. It's clear that his circumstances hadn't changed. He was still gambling with significant amounts of money and was relying on credit to fund the gambling. His unsecured debt had increased, and he had significantly less monthly disposable income.

Because there had been no significant and sustained change to Mr K's circumstances at the time of the second lending decision, I don't think Oplo should've lent to Mr K in these circumstances.

For the reasons I've given, I don't think Oplo should've lent to Mr K.

Putting things right

To put things right, Oplo should:

- A. Add together the total of repayments made by Mr K towards interest, fees and

charges on all upheld loans with an outstanding balance

- B. Pay 8% simple interest on the payments made by Mr K considered at A, calculated from the date Mr K made the payments to the date of settlement
- C. Remove all interest, fees and charges on any upheld loans and treat any repayments made by Mr K as though they had been repayments of the principal on all upheld loans. If this results in Mr K having made overpayments, then Oplo should refund these overpayments with 8% simple interest calculated from the date the overpayments were made to the date of settlement. Oplo should then refund the amounts calculated in A and B and move to step E.
- D. If there is still an outstanding balance then the amounts calculated in A + B should be used to repay any balance remaining on the outstanding loans. If this results in a surplus then this should be paid to Mr K. However, if there is still an outstanding balance, Oplo must agree an affordable payment plan with Mr K
- E. Remove any adverse information recorded on Mr K's credit file in relation to the upheld loans
- F. HMRC requires Oplo to deduct tax from the award of interest. Oplo must give Mr K a certificate showing how much tax has been deducted if he asks for this.

My final decision

My final decision is that I uphold the complaint. Oplo PL Ltd must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 11 August 2023.

Emma Davy
Ombudsman