

## The complaint

Miss W has complained that Tandem Personal Loans Ltd (“Tandem”) gave her a loan she couldn’t afford to repay.

## What happened

Miss W was given one personal loan of £6,000 by Tandem on 25 April 2018 this loan was for debt consolidation. Miss W was due to make 48 monthly repayments of £199.40 and had Miss W repaid the loan in line with the credit agreement she would’ve repaid a total of £9,571.20. Interest was charged at 28.23% APR. The loan was repaid on 1 August 2022.

Following Miss W’s complaint Tandem wrote to her and explained the checks that it had carried which showed the loan to be affordable. Unhappy with this response, Miss W referred the complaint to the Financial Ombudsman.

In our investigator’s assessment, he upheld the complaint because he said the credit check results Tandem received indicated that Miss W didn’t have the amount of disposable income it had calculated. The investigator concluded the loan repayments weren’t sustainable. Tandem didn’t agree with the investigator’s findings.

These comments didn’t change the investigator’s mind about the outcome. As no agreement could be reached the complaint was passed to me to decide.

I then issued a provisional decision explaining the reasons why I was intending to not uphold Miss W’s complaint. Both parties were asked to provide any further submissions as soon as possible, but in any event no later than 30 August 2024.

Tandem responded and said it had nothing further to add. We didn’t hear from Miss W. An extract of the provisional findings made in the provisional decision follows this and forms part of this final decision.

## What I said in my provisional decision

*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 all of the relevant rules, guidance and good industry practice - on our website. The rules and regulations in place required Tandem to carry out a reasonable and proportionate assessment of Miss W’s ability to make the repayments under the loan agreements. This assessment is sometimes referred to as an “affordability assessment” or “affordability check”.*

*The checks had to be “borrower-focused” – so Tandem had to think about whether repaying the loan would be sustainable. In practice this meant that the business had to ensure that making the repayments on the loan wouldn’t cause Miss W undue difficulty or significant adverse consequences. In other words, it wasn’t enough for Tandem to simply think about the likelihood of it getting its money back - it had to consider the impact of the loan*

repayments on Miss W. Checks also had to be proportionate to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of Miss W. Even for the same customer, a proportionate check could look different for different applications.

In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the greater the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss W's complaint.

Having looked at everything I have provisionally decided to conclude the checks Tandem conducted were proportionate and the repayment of the loan appeared affordable to it. I have therefore not upheld Miss W's complaint and I've explained why below.

Miss W declared her monthly income to be £1,831 per month – although I note on the application data this has been recorded as annual income its more likely than not an error and this was actually Miss W's monthly income. This income was cross reference with a tool provided by a credit reference agency which suggested the amount Miss W declared was accurate. For a first loan, I think this check was proportionate.

In terms of Miss W's outgoings, Tandem used her verified housing costs of £341 per month, results from its credit search giving monthly existing credit costs of £420.57 and it then used Office of National Statistics (ONS) data of £634.56 to cover all other living costs that Miss W may have. This left around £435 per month in disposable income for Miss W to use to cover her loan repayment. Based on Tandem's calculations the loan appeared affordable.

As I mentioned above, Tandem, carried out a credit search and it has provided the Financial Ombudsman with the results it received from the credit reference agency. And this is the crux of the issue in this complaint, because the investigator concluded the credit check results were such, that Miss W wouldn't likely to be able to afford the loan repayments in a sustainable manner.

Tandem knew that historically, there had been some significant payment problems around 2013, because at this time two accounts had defaulted. But these defaults had been satisfied and as these were recorded around five years before this loan was approved, I don't think Tandem would've been overly concerned. In addition, Tandem was also aware there wasn't any other forms of insolvency or County Court Judgements recorded on Miss W's credit file.

Tandem knew that Miss W had three existing loans albeit that one of them appeared to be close to being repaid and these loans were costing Miss W £264 per month. On top of that she had a number of credit cards – four in total. Again, her payments were around £230 a month (assuming a 5% capital repayment) and so I think the amount that Tandem recorded for credit commitments was a little lower than what Miss W actually had but doesn't make a difference to the overall affordability of this loan.

I do accept that two of the credit cards, were slightly over their limit but the credit card providers weren't reporting any adverse credit file data at the time. The same goes for the

*two current accounts that Tandem was aware of – both showed they were being used fairly regularly, and one of the accounts was near the overdraft limit. However, I don't think the fact that Miss W was using an overdraft is a reason, on its own to uphold the complaint. I also can't disregard, that the purpose of the loan was to consolidate existing debts. This means, that in theory, Miss W's overall indebtedness wasn't increasing because she would use the loan to pay down other debts.*

*Although Tandem hasn't provided details as to what debts Miss W was repaying, she was borrowing enough to have fully repaid her credit card balances and her overdraft. Or to have repaid the existing loans that she had. Whatever combination of debts was due to be repaid, it would've reduced Miss W's overall monthly credit commitments and the loan would've appeared affordable.*

*It therefore follows that in my view Tandem conducted proportionate checks that showed it Miss W ought to be able to afford her loan repayments and so I am intending to not uphold his complaint about the loan, and I make no award against Tandem.*

### **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.

As neither party has provided any further submissions, I see no reason to depart from the findings I made in the provisional decision, and which are repeated above. I still think, Tandem carried out a proportionate check before it lent to Miss W and the checks it conducted indicated Miss W would likely be able to afford her loan repayment. I am therefore not upholding her complaint.

Finally, I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Tandem lent irresponsibly to Miss W or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

For the reasons I've explained above and in the provisional decision, I'm not upholding Miss W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 3 October 2024.

Robert Walker  
**Ombudsman**