

## The complaint

Ms A complained that Loans 2 Go Limited lent to her irresponsibly and that it treated her unfairly when she had payment problems.

## What happened

Ms A was given a single loan by Loans 2 Go. Here are the loan details:

Loan	Date taken	Date repaid	Number of monthly instalments	Loan amount	Monthly repayment*
1	20/08/18	Not repaid	18	£250	£56.64

In relation to her irresponsible lending complaint, Ms A mainly said that if Loans 2 Go had completed proper checks it would have seen she was struggling financially. She's also mentioned some other concerns, including the high interest rate on this loan which she said had put her deeper into debt.

One of our adjudicators looked into Ms A's complaint. She thought that Loans 2 Go did sufficient checks before agreeing to provide this loan and that there wasn't anything in the information it gathered which meant it shouldn't have lent to Ms A.

So our adjudicator didn't think Loans 2 Go had been wrong to provide Ms A with the loan and she also didn't think Loans 2 Go acted unfairly towards Ms A in relation to her other complaint points.

Ms A didn't agree with our adjudicator's view. She mainly said that the credit checks Loans 2 Go relied on were wrong as they don't appear to include a lot of other debt she had at the time and so she doesn't believe the adjudicator has based her decision on true facts.

As the complaint hasn't been resolved informally, it comes 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.

We've set out our approach to unaffordable/irresponsible lending complaints on our website and I've kept this in mind when deciding Ms A's complaint.

There are some general principles and questions I need to think about when deciding whether to uphold Ms A's complaint.

Before agreeing to lend, lenders must work out if a borrower can afford the loan repayments alongside other reasonable expenses the borrower also has to pay.

This should include more than just checking that the loan payments look affordable on a strict pounds and pence calculation. A lender must take reasonable steps to satisfy itself that the borrower can sustainably repay the loan – in other words, without needing to borrow elsewhere.

The rules don't say what a lender should look at before agreeing to lend. But reasonable and proportionate checks should be carried out.

For example, when thinking about what a borrower has left to spend on a new loan after paying other expenses, as well as taking into account things like the loan amount, the cost of the repayments and how long the loan is for, a proportionate check might mean a lender should also find out the borrower's credit history and/or take further steps to verify the borrower's overall financial situation.

If reasonable and proportionate checks weren't carried out, I need to consider if a loan would've been approved if the checks had been done.

If proportionate checks were done and a loan looks affordable, a lender still needs to think about whether there's any other reason why it would be irresponsible or unfair to lend.

For example, if the lender should've realised that the loan was likely to lead to more money problems for a borrower who is already struggling with debt that can't be repaid in a sustainable way.

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

- the *lower* a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income)
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income)
- the *longer* the period of time a borrower will be indebted (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

I've kept all of this in mind when thinking about whether Loans 2 Go did what it needed to before agreeing to lend to Ms A and thought carefully about the following key questions:

- ☐ Did Loans 2 Go complete reasonable and proportionate checks to satisfy itself that Ms A would be able to repay her loan in a sustainable way? If so, did it make a fair lending decision? If not, what would reasonable and proportionate checks have shown at the time?
- ☐ Did Loans 2 Go act unfairly or unreasonably in some other way?

### ***what checks did Loans 2 Go do?***

Loans 2 Go gathered some information from Ms A before it agreed the loan. It asked her for details of her income and verified this by looking at an online income verification

tool. Loans 2 Go noted details of her normal monthly spending including her housing costs, groceries, utilities, transport and other regular expenses – as well as asking Ms A what she was spending on other credit each month.

It also allowed for some extra spending not already included in case she had some extra or unplanned expenses. And it did a credit check to assess how much she was already repaying to other creditors.

Loans 2 Go told us that it was satisfied that Ms A received a minimum monthly income of around £2695. Her declared her monthly expenditure and credit commitments came to £600 but Loans 2 Go calculated the total was actually around £1788 following a review of her credit report. It also deducted 5% of her income as a 'buffer' to account for any fluctuations in her monthly expenditure.

Loans 2 Go worked out that this left Ms A with disposable income of £772.14 - which meant that the monthly contractual instalments of £56.64 that she had signed up to make on this loan should have been comfortably affordable for her.

### ***did Loans 2 Go do proportionate checks?***

I've carefully considered whether the information that Loans 2 Go gathered at the time should reasonably have triggered further checks. On balance, I don't think that the information Loans 2 Go had collected about Ms A's financial situation was enough to prompt a reasonable lender to think it needed to do further or more in-depth checking.

The credit report that Loans 2 Go acquired showed that Ms A had a total balance on all her accounts of around £1,953 – which included £1,210 tied up in 3 payday loan accounts. She had a credit card account that was within its limit and well managed. It appeared that Ms A had no court judgements or defaults recorded in the 6 months running up to this loan.

There was some adverse information on Ms A's credit checks. Loans 2 Go could see Ms A had entered in to an 'arrangement to pay' on a mail order account after payment problems around 6 months earlier. It could also see that another loan had 1 month of arrears before being repaid in June 2018. And that Ms A had cleared a number of other short term loans within the previous 12 months of this loan – and she'd also had a payment plan set up on one of those.

So I think it's fair to say that Loans 2 Go could see that Ms A had sometimes had a problem making all her agreed contractual payments in full and on time.

But given the type of lending, I think a lender would reasonably expect to see some adverse information on its customer's credit history. And, looked at overall, I think it would have been fair for Loans 2 Go to have considered that Ms A's credit report generally showed a positive payment history.

### ***did Loans 2 Go make a fair lending decision?***

Taking things as a whole, I think it would have been reasonable for Loans 2 Go to consider that the monthly repayments on its loan were affordable for Ms A – allowing for the amount it had seen she had to pay each month towards her existing creditors and what she'd declared as her income and general living expenses.

I've taken into account that Ms A says the credit information that Loans 2 Go relied on was wrong because it didn't reveal the full extent of her debt at the time. But Ms A hasn't sent us

any more information to show that she's right about this. And what she says isn't enough on its own for me to be able to uphold her complaint.

Overall, I think the checks that Loans 2 Go carried out before lending to Ms A were reasonable and proportionate. I think it was reasonable in the circumstances for Loans 2 Go to have relied on the information that Ms A provided and what it found in its checks - and this was enough to enable Loans 2 Go to gain a reasonable understanding of her financial situation and see that Ms A appeared to be managing her money without any significant payment problems. I don't think more in-depth checks – such as requesting bank statements – were required.

I don't think there was anything in the information that Loans 2 Go gathered at the time which should have caused the lender any additional concerns about Ms A's financial position when she applied for the loan or that ought reasonably to have led Loans 2 Go to the conclusion that her loan application should be declined.

So I haven't seen enough to be able to uphold her irresponsible lending complaint.

***has Loans 2 Go acted unfairly in any other way?***

Ms A was unhappy that Loans 2 Go increased her monthly repayment after a temporary payment plan was put in place. But it looks like the plan set up to enable Ms A to make reduced payments was only a short term arrangement – and this was confirmed to Ms A by email. I think the plan was a fair and reasonable response to the payment problems she was facing at the time.

Records show that Loans 2 Go texted, phoned and sent letters in an effort to get in contact with Ms A to discuss options going forwards after this arrangement ended. But as it was unable to get back in touch with Ms A this meant that the contractual loan monthly repayments were reinstated at the end of the period agreed for reduced payments.

I can't see that Loans 2 Go acted unreasonably when it did this.

Ms A told us that the interest rate on this loan put her deeper in debt.

I think there was a very large amount of interest payable on this loan and I can appreciate that Ms A might now feel this has unfairly added to her debt problems.

But the loan documents set out the terms and the amount of interest payable. Ms A applied for this loan and she had to actively engage in the loan application process. The annual percentage rate of charge (APR) on Ms A's loan was 990.1%. The total charge for the £250 loan was around £769. The agreement showed she would need to make 17 payments of £56.64 and a final payment of £56.64.

So I think it's likely that Ms A would've understood the 18-month loan term and been able to see the total amount of interest payable at the time. Taking everything into account, I think Loans 2 Go made Ms A aware that she was taking a very high cost loan over an 18-month period. Ms A accepted these terms so it seems to me that she was happy with the loan at the time she signed up to pay it.

Thinking about everything I've seen and been told, I can't fairly conclude that Loans 2 Go was wrong to provide the loan to Ms A. And I don't find that Loans 2 Go has acted unfairly towards her in some other way.

So I do not uphold Ms A's complaint.

I appreciate that Ms A feels strongly about this complaint and that she will be disappointed in my decision. And I'm sorry that she is now struggling financially and she has been unable to repay this loan. But I don't think Loans 2 Go could reasonably have foreseen this when it provided this loan to her.

I take this opportunity to remind Loans 2 Go (or any a third-party debt collection agent) that it should always discuss payment options constructively with Ms A and treat her fairly and sympathetically if Ms A needs further time to pay what she still owes.

If Ms A would like help to manage her finances there's more information about how to get free debt advice on our website – or we can provide contact details if she gives us a call.

### **My final decision**

For the reasons given above, I don't uphold the complaint or make any award against Loans 2 Go Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 26 April 2021.

Susan Webb  
**Ombudsman**