

The complaint

Mr P has complained that Loans 2 Go Limited lent to him irresponsibly.

What happened

I issued a provisional decision about this complaint in October 2020 that I summarise below.

Mr P was given two logbook loans by Loans2Go in November 2011 and December 2012.

Loan 1 in November 2011 was for £1,102.50 repayable over 18 months in 78 weekly instalments of around £40. The total amount payable if the loan ran to term, including interest was just over £3,180.

Loan 2 in December 2012 was for £2,000 repayable over 36 months in 156 weekly instalments of around £58. The total amount payable, if the loan ran to term, including interest, was just over £9,127.

I understand both loans accounts are now closed.

When Mr P first complained, Loans2Go initially said it wouldn't consider his complaint about the second loan because it said it was outside the time limits allowed, but it subsequently agreed that we could look into the complaint. As Mr P had also complained about his first loan, we asked Loans2Go if it would agree to this complaint being considered as well. Loans2Go subsequently provided information about the first loan, so I came to a provisional decision about both loans.

I explained the basis on which I would decide the complaint, in particular the checks that Loans2Go needed to do such as the amount being lent, and the consumer's income and expenditure. With this in mind, I thought less thorough checks might be reasonable and proportionate in the early stages of the lending relationship.

I said that Loans2Go needed to take reasonable steps to ensure that it didn't lend to Mr P irresponsibly. And that Loans2Go should have carried out proportionate checks to satisfy itself that he could repay the loans in a sustainable way.

I carefully considered all the evidence, arguments and information I'd seen about this matter in order to decide what's fair and reasonable in the circumstances of this complaint.

Loans2Go carried out some checks before it gave the first loan to Mr P which included asking for details of his income and expenditure. It also asked for bank statements and it verified Mr P's salary. I hadn't seen the results of any credit checks carried out at the time. But from what I'd have seen, I thought Loans2Go's checks were likely to have been reasonable and proportionate, in the circumstances.

The income and expenditure assessment for his loan application suggested that Mr P had no other credit commitments. On the face of it, it seems that he had sufficient disposable

income to afford the loan. But the lender was required to establish whether Mr P could *sustainably* make his loan repayments – not just whether the loan payments were technically affordable on a strict pounds and pence calculation.

The information gathered by Loans2Go showed that Mr P had regularly been borrowing from a number of high cost short term lenders. His bank statements show he had paid out over £1,200 to short term lenders in the month or so leading up to his first loan.

I thought this should have alerted Loans2Go that, as Mr P was regularly borrowing from other short-term lenders, it was likely that he was having difficulties managing his money. I hadn't seen anything which suggests that the lender queried what it found in its checks with Mr P. But given the amount that he was repaying to short term lenders, and in the absence of any further information about this, I thought it would have been reasonable for Loans2Go to conclude that Mr P was unlikely to be able to repay his loan sustainably over the full loan term. In the circumstances I would reasonably have expected Loans2Go to decline to provide him with the first loan.

Mr P did have difficulties repaying his first loan. He entered a repayment plan and eventually the loan was settled in October 2012. Mr P then applied for a second loan in December 2012. Loans2Go carried out further checks, similar to those it had carried out for loan 1.

But I thought the checks that Loans2Go carried out ought to have suggested that Mr P was still having financial problems. His bank statements show he was regularly borrowing from other short-term lenders; there was some evidence of gambling and a number of returned direct debits. Loans2Go would also have been aware that Mr P had previously had difficulties repaying his first loan.

I thought that Loans2Go had focussed on whether the second loan was affordable for Mr P on a pounds and pence basis, based on its analysis of his income and expenditure. I noted that it took into account Mr P's credit commitments and his expenditure on gambling. But this was an expensive loan, repayable over an extended period of time. As I'd already explained, the lender was required to establish whether Mr P could *sustainably* make his loan repayments – not just whether the loan payments were technically affordable on a strict pounds and pence calculation.

I thought overall Loans2Go should reasonably have realised that Mr P was continuing to have difficulties managing his finances. It seemed likely that he was borrowing from short term lenders to manage his ongoing financial commitments. And it seemed likely he would need to borrow elsewhere to repay his second loan from Loans2Go. In the circumstances I thought Loans2Go ought reasonably to have realised that it was unlikely that Mr P would've been able to sustainably repay his second loan over the full loan term. So it should reasonably have concluded that it was not appropriate to provide the second loan to him.

I invited both parties to send me any further comments or evidence. Mr P has told us that he agrees with my provisional decision. I have not seen any response to my provisional decision from Loans2Go. The deadline for comments has now passed.

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.

I'd like to thank both parties for all the information that has been provided about this matter and Mr P for responding to my provisional decision. Given that I've not received any further evidence or comment that changes my mind about this complaint, I confirm the conclusions I reached in my provisional decision.

I don't think Loans2Go should have provided Mr P with either loan. I haven't seen anything which makes me think Loans2Go acted unfairly towards Mr P in any other way. But he has paid interest and charges on loans that shouldn't have been provided to him. So Loans2Go should now put things right.

Putting things right

In line with this Service's approach, Mr P shouldn't have repaid more than the capital amounts he borrowed.

To put things right for Mr P, Loans2Go should:

- Consider all payments made by Mr P towards these loans as payments towards the combined capital amount.
- If Mr P has made payments above this combined capital amount then these should be refunded to him, along with simple interest at the rate of 8% per year on these amounts from the date they were paid to the date of settlement*.
- I understand both loan accounts are closed, but if there is a shortfall in repayments which leaves a capital amount outstanding, then Loans2Go needs to treat Mr P sympathetically and fairly, which might include coming to a new arrangement about how best to repay this.
- Loans2Go should return the logbook to Mr P, if it has not already done this. It should cancel any bill of sale and return V5 documents to him once any outstanding capital has been repaid.
- Remove any negative information from Mr P's credit file in relation to the loans, once settled.

*HM Revenue & Customs requires Loans2Go to take off tax from this interest. Loans2Go must give Mr P a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons given above, I uphold this complaint and direct Loans 2 Go Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 15 December 2020.

Sharon Parr
Ombudsman