

The complaint

Ms R complains that Loans 2 Go Limited has treated her unfairly when she has been experiencing financial difficulties and is unable to repay a loan secured on her vehicle.

What happened

I issued a provisional decision on this complaint in November 2020. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

Ms R borrowed £3,500 from Loans 2 Go in October 2018. She agreed to repay the loan in 36 monthly instalments. Ms R offered her car to Loans 2 Go as security for the loan. After successfully making the first repayment Ms R started to face financial difficulties and her loan fell into arrears.

Loans 2 Go made a number of attempts to contact Ms R over the following months when she failed to make her repayments when they were due. In January 2019 Ms R approached a garage with a view to selling her vehicle. The garage requested an early settlement balance however Ms R decided not to proceed with the sale. Shortly afterwards Loans 2 Go decided to begin the process of defaulting the loan and sent the appropriate notification to Ms R.

On 26 January Ms R first told Loans 2 Go about her financial difficulties and that she had lost her job the previous year. She offered a token repayment but when Loans 2 Go asked for a higher payment she agreed to try and raise some funds from a relative. Ultimately no repayment was made, and Ms R was reminded that the default notice would expire on 9 February.

Ms R next contacted Loans 2 Go on 13 February and to set up weekly token payments of £50. She paid £50 on 28 February. But since that date no further payments have been made on her loan. In May 2019 Loans 2 Go instructed recovery agents to begin the repossession of Ms R's vehicle.

Later that month Ms R again explored selling the vehicle to a local garage. But as before she ultimately decided not to proceed with the sale. She says that the price offered by the garage would have left her with little proceeds after the loan had been cleared and she wouldn't have been able to source a replacement vehicle.

Around this time Ms R started to engage with Loans 2 Go to ask for the loan to be restructured. Loans 2 Go advised Ms R that it was no longer willing to enter into a repayment arrangement and would be proceeding with its repossession activities unless the loan was settled.

We've set out our general approach to complaints about high cost lending — including all the relevant rules, guidance and good industry practice - on our website. And I've considered this approach when deciding Ms R's complaint.

At the outset I would like to clarify that my provisional decision deals only with Ms R's specific complaint about what happened when her account fell into arrears. As far as I am aware, Ms R has not complained to the lender about irresponsible lending or the affordability of this loan. So I am not making any findings about whether or not Loans 2 Go was right to provide Ms R with the loan before her circumstances changed.

It is clear that Ms R has failed to meet the repayments that she agreed to make on her loan. When she took the loan out in October 2018 she agreed to make monthly repayments. In the six months leading up to her complaint she had only made one of those scheduled repayments, along with a token repayment equivalent to around 20% of her normal monthly repayment. So I don't think it is unreasonable that Loans 2 Go decided to default the loan after three of the first four repayments had been missed, and when it was finding it difficult to get in touch with Ms R.

But in February 2019 Ms R did get in touch with the lender. And at that time she told Loans 2 Go that she was facing financial difficulties. At that time the regulator required the lender to take steps to ensure that Ms R was treated fairly, with forbearance and with due consideration. It provided firms with a number of examples of this sort of behaviour including the consideration of reducing or waiving future interest charges, allowing the payment of arrears to be deferred, or accepting token payments for a reasonable period of time.

As I have described earlier, it was some time before Ms R made Loans 2 Go aware of her financial problems. That prevented the lender from taking early steps to assist Ms R with the restructure of her obligations. So by the time of her call in February she had missed three repayments and was already in significant arrears. On the previous call Loans 2 Go had told her that it would accept a reduced repayment to clear her arrears. But Ms R failed to make the payment she had said she was hoping to.

In February 2019 Loans 2 Go accepted a token repayment arrangement from Ms R. She had offered to repay £50 per week. I have noted however that Loans 2 Go told Ms R that she would need to consider making a higher repayment to avoid her vehicle being repossessed. But ultimately Ms R only made a single token payment, two weeks later.

In March 2019 Loans 2 Go started to receive the return of mail it had sent to the address it held for Ms R – the items were returned advising that she had moved away. And it doesn't seem that Ms R responded to the voicemail messages she was sent asking for an update. So I think it was reasonable, at that point, for Loans 2 Go to conclude that its relationship with Ms R had irretrievably broken down and to start the process of repossessing the security that it took when it agreed to lend to her.

In May 2019 Loans 2 Go's agent started the process of locating Ms R's vehicle with a view to repossessing it. At that time Ms R once again engaged with Loans 2 Go and said she would attempt to repay the loan. She again discussed the sale of the car with a local garage but as before ultimately decided not to proceed with the sale. Over the following month Ms R did have some email discussions with Loans 2 Go, and asked whether Loans 2 Go would be willing to put a new repayment plan in place. Loans 2 Go refused that request given the high level of arrears that were now on the account.

I have set out the history of the communications between the parties in some detail as I think it does demonstrate that Loans 2 Go offered Ms R a reasonable period to get her finances back on track after she first failed to make her repayment in December 2018. It is my understanding that the regulator's guidance isn't intended to leave debts outstanding for an indefinite period of time. Instead the requirement for lenders to show forbearance and due consideration to consumers who are facing financial difficulties is to allow a reasonable period of breathing space for consumers, facing an unexpected fall in their disposable income, to review their options. I think a reasonable period of time for that to happen was provided by Loans 2 Go.

I have noted that our adjudicator has recommended that Loans 2 Go should have stopped adding interest to Ms R's loan account in February 2019 when it first became aware of the reason for Ms R's difficulties. Whilst that might be one approach the regulations suggest, it is only that – a suggestion. As I have set out above the regulations also suggest other alternative ways a lender can show support. And I think that is what Loans 2 Go offered to Ms R.

On at least two occasions in the first half of 2019 Loans 2 Go was asked to provide a settlement figure for Ms R's loan to a third party that was considering purchasing the vehicle from her. Ultimately those settlement figures had the impact of removing any future interest from the loan. But of course Ms R would have needed to sell her car to raise the necessary funds to repay the loan early.

Loans 2 Go lent to Ms R on the basis that it held security over a valuable asset. Without using her car as security it is entirely possible that Ms R would have been unable to obtain the loan from Loans 2 Go. Unfortunately her financial circumstances changed shortly after she took the loan which meant she has been unable to repay it. But I'm sorry to say that I don't think that means Loans 2 Go shouldn't be able to enforce the loan agreement and repossess her car.

I appreciate how distressing my decision will be for Ms R. I'd encourage her to discuss her situation once again with Loans 2 Go. If the lender still intends to proceed with the repossession of the car she might want to consider, as she did in 2019, whether it might be better for her to seek a private sale of the vehicle in order to repay the loan.

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Loans 2 Go didn't provide me with anything further. Ms R let me have some additional comments. Although I am only summarising here what Ms R has said, I want to reassure her that I've carefully read, and considered, her entire response.

Ms R said she was disappointed that the complaint was decided by an ombudsman with a background in banking. She thought that meant I would look at the complaint through "banking eyes" rather than her side of "being left with zero". She feels that it is really unfair for my decision to "kick someone who is already 'rock bottom' and who made one extremely bad decision though panic"

Ms R says that all she wants is a chance to put things right and agree a repayment plan with Loans 2 Go. She says that it's what debt advisors would suggest she should do. She says she is reliant on her car given that she now lives in a rural location with an elderly relative. Given her poor credit rating she thinks it unlikely that she would be able to purchase a replacement vehicle.

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.

The additional information that Ms R has given to us hasn't persuaded me that I should change my provisional decision. But I think it right that I should provide some further explanation about the matters she has raised.

Ombudsmen are appointed to settle disputes fairly and reasonably and have a wide range of technical, academic and professional qualifications and experience. While some ombudsmen have a financial background, ombudsmen are appointed to decide disputes because they have the ability to listen to all sides of the story and arrive at decisions fairly. So I don't think it is right to suggest that my gender, background, or experience has influenced how this complaint has been decided, or that a different ombudsman would have reached a different conclusion.

As I explained in my provisional decision I think that Loans 2 Go gave Ms R a lengthy opportunity to agree, and adhere to, a revised repayment schedule. And when that appeared to be unlikely to be achieved, Loans 2 Go provided its consent to Ms R selling the vehicle on which the loan had been secured. So I cannot conclude that Loans 2 Go acted unfairly in how it treated Ms R when she told it about her financial difficulties.

Ultimately I think Loans 2 Go's decision, that its relationship with Ms R had broken down irretrievably, was reasonable. And so it was fair for Loans 2 Go, having defaulted the loan, to seek to enforce the security it had taken as part of its lending agreement. I appreciate the very difficult position this will leave Ms R facing, but that in itself isn't a reason for me to conclude that Loans 2 Go is acting unfairly.

As I said in my provisional decision I'd encourage Ms R to discuss her situation once again with Loans 2 Go. If the lender still intends to proceed with the repossession of the car she might want to consider, as she did in 2019, whether it might be better for her to seek a private sale of the vehicle in order to repay the loan.

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 R to accept or reject my decision before 23 February 2021.

Paul Reilly
Ombudsman