

The complaint

Mr M complains that Loans 2 Go Limited acted irresponsibly by granting him a loan that was unaffordable. He's also unhappy about the amount of interest he's been charged.

What happened

In October 2019, Mr M took out a loan with Loans 2 Go for £500. He later complained that Loans 2 Go had lent to him irresponsibly. He said it should never have given him the loan as it was unaffordable.

Loans 2 Go said a thorough affordability assessment was conducted prior to approving the loan. It checked his income, expenditure and credit commitments and was satisfied the loan was affordable.

Mr M remained unhappy, so he brought his complaint to our service. Our investigator looked into Mr M's concerns but didn't think his complaint should be upheld. He didn't think Loans 2 Go had acted irresponsibly when it provided the loan.

Mr M disagreed with our investigator's view. He said he didn't think it was fair of Loans 2 Go to charge such a high amount of interest. So, his complaint has been passed 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.

Having done so, I've decided not to uphold Mr M's complaint. I'll explain why.

The relevant rules, regulations and guidance required Loans 2 Go to carry out reasonable and proportionate checks to ensure Mr M could afford to repay the loan in a sustainable manner.

The checks needed to be borrower-focused. It wasn't enough for Loans 2 Go to think only about the likelihood of getting its money back. It also had to ensure that making the repayments wouldn't cause Mr M undue difficulty or have adverse consequences for him.

There isn't a set list of checks that lenders need to carry out, but they should be proportionate, taking a number of factors into consideration. These factors include the amount, type and cost of the credit as well as the personal circumstances of the consumer.

The £500 loan Loans 2 Go gave to Mr M had an APR of 1,013.2% and was due to be repaid in instalments of £114.28 per month over a period of 18 months. This meant the total amount to be repaid was £2,057.04.

Loans 2 Go says it agreed to Mr M's application after he provided details of his monthly income and expenditure. It used an online verification tool to verify Mr M's income and it also

checked his credit file. The information Mr M provided about his income and expenditure showed he'd be able to comfortably make the repayments he was committing to. Loans 2 Go says it adjusted Mr M's expenditure to account for outstanding credit and also added a 10% buffer. It says Mr M's credit report didn't show any adverse information. Loans 2 Go says that based on what it had seen, it looked like Mr M was able to afford the repayments.

Mr M has provided us with copies of his bank statements. I can see from these that he was making payments to other lenders, meaning that his existing credit commitments were higher than he'd declared in his application and what was showing on his credit file. I can also see several gambling transactions. But Loans 2 Go could only make its decision based on information it had available at the time. And I don't think proportionate checks would have extended to Loans 2 Go asking Mr M to provide his bank statements.

I think the checks Loans 2 Go carried out were proportionate and it was reasonable for Loans 2 Go to rely on the information it had, given the amount of the repayments involved. Having seen the information Loans 2 Go reviewed at the time, I think its decision to lend to Mr M was reasonable.

Mr M is also unhappy about the interest charged on the loan. I appreciate the amount Mr M was asked to pay back is significantly higher than what he borrowed and making the payments has been difficult. But the credit agreement makes no attempt to disguise how costly the loan is. It clearly sets out the terms of the loan, including the total amount to be repaid. As Mr M accepted these terms and the payments appeared to be affordable, based on the information it had at the time, I can't say Loans 2 Go acted unfairly when it provided the loan.

I appreciate my answer will be disappointing for Mr M. But I hope he'll understand the reasons for my decision and he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr M's complaint, I'd like to remind Loans 2 Go of its duty to treat him positively and sympathetically if he is having difficulty repaying the loan.

My final decision

For the reasons I've explained, I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 26 March 2021.

Anne Muscroft
Ombudsman