

The complaint

Mr C complains about the response from Loans 2 Go Limited when he told it he was in financial difficulties and that the interest rate on his loan was excessive.

What happened

Mr C took out a loan with Loans 2 Go on 26 September 2019. He borrowed £1,000 and was due to repay £228.56 monthly for 18 months until 7 March 2021. Mr C made four payments on the account.

Mr C says he was asked to pay one month of arrears when he reported financial difficulties and that Loans 2 Go continued to contact him by phone even though he'd told it his service had been restricted. He said the company's emails were going to his spam folder, so he did not see its request for a completed income and expenditure form. He says Loans 2 Go then asked him to pay the full balance of £3,199.84 on 5 May 2020. Mr C says Loans 2 Go never offered to put the account on hold and the interest charged was exorbitant. He adds that he took the loan due to gambling issues and his credit file would have shown his overdraft, a default, loan arrears and a fully utilised credit card. Mr C says he was not in a position to repay the loan, the interest rate was unfair, and the situation caused him to be stressed.

Loans 2 Go says that interest was charged in line with contractual terms and conditions as outlined on the loan agreement. It says it responded to his email about financial difficulties within six days but that it did not receive a reply or a completed income and expenditure form despite further contact attempts. Loans 2 Go offered to try to arrange an acceptable payment schedule once it had established Mr C's current circumstances. On receipt of his income and expenditure form it accepted Mr C's proposal of £50 per month for three months from 30 June 2020 with a review planned thereafter. However, it did not receive the agreed payments from Mr C.

Our adjudicator did not recommend the complaint should be upheld. She was satisfied that Loans 2 Go made the interest rate clear to Mr C at the point he took out the loan. She also did not find that it acted unfairly when Mr C told it about his financial difficulties.

Mr C responded to say, in summary, that he did not receive the income and expenditure form and that, although he accepted the information about interest rates was on the documentation, the loan period could not be changed thereby bypassing regulations about short-term loans. He says that is not in line with a previous decision that this service has made about a similar complaint. He adds that Loans 2 Go's request for a full monthly payment after he'd told it of financial difficulties added to his stress.

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 need to take into account the relevant rules, guidance and good industry practice.

The Financial Conduct Authority (FCA) was the regulator when Loans 2 Go lent to Mr C. Its rules and guidance obliged it to lend responsibly. As set out in the regulator's Consumer Credit Sourcebook (CONC), this meant that Loans 2 Go needed to take reasonable and proportionate steps to assess whether or not a borrower could afford to meet its loan repayments in a sustainable manner over the lifetime of the agreement.

CONC 5.2A.4R states that:

A firm must undertake a reasonable assessment of the creditworthiness of a customer before:

- 1. entering into a regulated credit agreement; or*
- 2. significantly increasing the amount of credit provided under a regulated credit agreement.*
- 3. significantly increasing a credit limit for running-account credit under a regulated credit agreement.*

Repaying debt in a sustainable manner was defined as being able to meet repayments out of normal income without the customer having to borrow to meet the repayments, without failing to make any other payment the customer has a contractual or statutory obligation to make and without the repayments having a significant adverse impact on the customer's financial situation (CONC 5.2A.12R).

In general, I'd expect a lender to require more assurance the greater the potential risk to the borrower of not being able to repay the credit in a sustainable way. So, for example, I'd expect a lender to seek more assurance, potentially by carrying out more detailed checks

- the *lower* a person'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 *longer* the term of the loan (reflecting the fact that the total cost of the credit is likely to be greater and the borrower is required to make payments for an extended period).

In addition, as per CONC 5.2A.16G (3): *For the purpose of considering the customer's income, it is not generally sufficient to rely solely on a statement of current income made by the customer without independent evidence (for example, in the form of information supplied by a credit reference agency or documentation of a third party supplied by the third party or by the customer).*

And CONC 5.2A.17R (2) says: *The firm must take reasonable steps to determine the amount, or make a reasonable estimate, of the customer's current non-discretionary expenditure.*

Bearing all of this in mind, in coming to a decision on Mr C's case, I have considered the following questions:

- Did Loans 2 Go complete reasonable and proportionate checks when assessing Mr C's loan application to satisfy itself that he would be able to repay the loan in a sustainable way?
 - If not, what would reasonable and proportionate checks have shown?
- Did Loans 2 Go make a fair lending decision?
- Did Loans 2 Go act unfairly or unreasonably in some other way?

Checks and Lending Decision

When Mr C applied for his loan from Loans 2 Go, it asked him for information about his income and expenditure and carried out a credit check.

The checks showed:

- The monthly repayments were less than 6% of Mr C's income;
- Mr C's credit record did not indicate he was in financial difficulties:
 - There were no defaults in the previous six months;
 - There were eight active accounts, of which seven were up-to-date with payments;
 - He had one loan which was being repaid with a repayment plan;
 - His two credit cards were 97% utilised and he was well within his credit limit on two mail order accounts;

Based on Mr C's declared income and expenditure, I'm satisfied Loans 2 Go would have considered the loan to be affordable. Loans 2 Go was entitled to rely on the information provided by Mr C and there was nothing in its checks to indicate it should have carried out further checks or that the repayments were unaffordable to Mr C.

I acknowledge Mr C says he had gambling issues at the time, but I don't think it was proportionate for Loans 2 Go to have asked for this level of detail given the information it already had. So I find Loans 2 Go completed reasonable and proportionate checks and made a fair lending decision.

Interest charge

With regard to the interest charged on the loan, I'm satisfied the terms and conditions were made clear in the loan agreement which was electronically signed by Mr C.

I acknowledge what Mr C says about a credit cap applying when he requested a settlement within 12 months, based upon the regulations for high-cost short-term credit. However, as the original loan contract was not short-term, these regulations don't apply, regardless of when the loan is settled.

I've also looked at the case Mr C has provided as evidence of a previous decision made by this service. Each case is considered individually, based on its own merits, and in any event the facts aren't the same, as Mr C only had one loan with Loans 2 Go.

So, in summary, I can't conclude Loans 2 Go was wrong to charge the interest it did, or that the interest should have been capped when a settlement figure was provided.

Customer Service

I can see Loans 2 Go responded within six days when Mr C told it he was in financial difficulties. It cancelled his continuous payment authority and asked him to complete an income and expenditure form. I acknowledge that Mr C says he didn't receive this, but I've seen evidence that Loans 2 Go sent the email and it now seems it may have gone to Mr C's spam email folder.

Although Loans 2 Go attempted to contact Mr C multiple times after this, I can't see it received any response until early May 2020. I acknowledge it made demands for various arrears payments during that time, but I can't conclude it was wrong to do so given it had received no further information from Mr C.

When Loans 2 Go received a new income and expenditure form for Mr C, it offered him a three-month repayment plan at £50 per month, but Mr C did not make the repayments.

In conclusion, I don't find Loans 2 Go did anything wrong with regard to its customer service, but I would encourage Mr C to contact it to try to arrange a mutually agreeable repayment plan for the outstanding balance.

My final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 27 May 2021.

Amanda Williams
Ombudsman