

## The complaint

Mr B complains about 'log book' loans provided to him by Loans 2 Go Limited, ("L2G") which he says were unaffordable.

## What happened

L2G provided Mr B with 'log book' loans. These loans were granted on the basis that Mr B provided L2G with a bill of sale for his car. This meant that if Mr B didn't make his loan repayments, L2G could potentially recoup its losses through the sale of the vehicle.

I looked into whether these 4 loans were given to Mr B fairly. The details are as follows:

Loan	Date	Amount	Frequency	Instalments	instalment amount	Repayment date
1	27.01.2014	£500	Monthly	12	£91.67	21/03/2014
2	21.03.2014	£600	Monthly	12	£110.00	12/06/2014
3	12.06.2014	£650	Monthly	12	£119.17	16/11/2015
4	11.05.2016	£250	Weekly	78	£11.28	26/05/2018

I issued a provisional decision on this complaint in February 2021. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

*"L2G has told our service that on each occasion it asked Mr B for his income and expenditure along with carrying out a credit check. It also asked Mr B for his wage slips to validate the income that he had declared. On each occasion it used this information to decide whether to lend to Mr B or not.*

### **Did L2G complete reasonable and proportionate checks when it agreed loans 1-3?**

*I can see for loan 1 granted by L2G on 27 January 2014, that L2G asked for Mr B's income and expenditure and noted what Mr B told it on a 'income and expenditure form'. It also asked Mr B for his wage slips. It carried out a credit check and this showed it that Mr B had 4 active county court judgements (CCJ's) with the most recent of these being decided upon around 5 months before this loan was requested, on 28 August 2013. I can also see that Mr B had declared 3 of these CCJ's to L2G and in turn it had included the 3 most recent judgements within its affordability assessment.*

*L2G would have seen from its credit check that Mr B had 4 active CCJ's rather than the 3 Mr B declared to it. When I consider this alongside the fact that Mr B had received his last active CCJ only 5 months before he was asking for his first loan with L2G and that the outstanding balance for this was relatively quite high at £3036, I think this should have prompted it to carry out further checks. I think being presented with this information, it should have looked to gain a better understanding of Mr B's finances, including verifying his expenses, to ensure he could sustainably meet his repayments.*

*Mr B's circumstances didn't change when he asked for loans 2 and 3 also. He asked for loan 2 only 2 months after he had taken the first loan. It was essentially a refinancing of loan 1, with what L2G called on one of its forms a 'top up'. L2G had gathered the same information, with his income verified by wage slips and also his declared expenditure. The credit search again showed his 4 active CCJ's.*

*Our adjudicator mentioned in their view, at this stage Mr B also had some issues with late payments. L2G have told us that it successfully took payment later on in the day, after trying again. But on reading the screen notes that have been provided by L2G, I can see that Mr B was struggling to meet his repayments on time. Shortly after the loan was agreed, he arranged to repay weekly. On his first repayment due date, he had needed to transfer money in from another account to meet what he owed and also on another occasion agreed with L2G to pay a double payment the following week after his card payment was declined. Although I do acknowledge L2G's comments, I think Mr B was starting to show some signs that he was struggling to meet his repayments. So, with this in mind and also for much the same reasons as the first loan, I think L2G should have carried out further checks before it agreed to give Mr B loan 2 also. In addition, he had refinanced his first loan only 2 months after taking it out and was asking to borrow more than loan 1.*

*Mr B asked for loan 3 on 12 June 2014, around 2 months after he had asked for loan 2. Again, this was a refinance and he was given the loan on the same day loan 2 was repaid. His circumstances were similar to when he took out his first 2 loans with his declared income, expenditure and what was shown on his credit search. There was also 2 attachment of earnings showing on his wage slips at this point and so this should have further triggered L2G into carrying out further checks and a complete review of Mr B's finances, along with what I have already concluded.*

*So, I don't think L2G carried out proportionate checks when it agreed to loans 1-3 and I now need to consider whether it made a fair lending decision in each application and also what it would have seen if it had gained a better understanding of Mr B's finances.*

### **What would reasonable and proportionate checks have shown L2G when it agreed to loans 1-3?**

*I have reviewed the information L2G had in front of it at the time it agreed to loan 1. Mr B had declared his monthly salary to be £1450 and his expenditure as £1275. This includes a payment of £100 for what L2G have noted down as County Court Judgements. This left £198.33 disposable income according to Mr B's declared amounts. When I consider that Mr B's repayment amounts were £91.67, I can see that Mr B's finances would have been tight.*

*I then need to consider what L2G would have most likely seen if it had carried out proportionate checks. I have been provided with a credit check report from Mr B along with some bank statements. The credit check that Mr B has provided does show that he held an unsecured loan with a credit union. He took this loan out in 2011 and didn't repay it until after he had loan 3 agreed. It seems his monthly repayment for this loan was £92. If L2G had carried out further checks, I think it's likely it would have found out about this loan. It would have seen that his disposable income left over was at the most £106.33. Adding loan 1 repayments to his monthly expenditure would have left very little disposable income at all.*

*In addition, Mr B has told our service that at the time of asking for loan 1, he had a gambling problem. He has provided our service with bank statements, albeit these are from March to May 2015, a period of time several months after these loans were granted. That said, I think*

*his statements do support what he has said. I think after seeing these statements, had L2G enquired further into Mr B's financial affairs, on balance I think its more likely than not it would have uncovered more about Mr B's gambling problems at the time it granted loan 1. When I consider what I have seen on Mr B's credit report along with his bank statements, I think further checks by L2G would have shown that he would not have been able to meet his repayments over the lifetime of the loan. And so, I find that it was irresponsible to have agreed to lend on this occasion. Mr B's circumstances did not improve for loans 2 and 3 and so it follows that I think L2G shouldn't have given these loans either, for the same reasons. Mr B declared less disposable income when he applied for loan 2, and most likely would have not had enough disposable income to sustainably meet even the first loan repayment. Then, by the time he had applied for loan 3, L2G had applied a late repayment fee to his account and Mr B was showing clear signs he was having problems managing to repay his loan. Attachment of earnings had also appeared on Mr B's wage slips.*

*I am currently minded to conclude that L2G should not have given Mr B loans 1-3. It has also agreed that it shouldn't have given Mr B loan 4. So, it should now put things right for loans 1-4."*

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Mr B responded and said he agreed with the decision. He has no further comments to make. L2G has not responded by the deadline given.

### **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.

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Mr B has not made any further points and L2G has not responded. So, as neither party has anything further to add, I don't see any reason to depart from my findings within my provisional decision. With that being the case, L2G now needs to put things right.

### **Putting things right**

I think it would be fair and reasonable in all the circumstances of Mr B's complaint for L2G to put things right by:

- adding up the total amount of money Mr B received as a result of being given loans 1-4. The payments Mr B made should be deducted from this amount. Any payments made after the total repaid exceeds the amount Mr B was given should be treated as overpayments and refunded to him;
- adding interest at 8% per year simple on any overpayments from the date they were paid by Mr B to the date of settlement†;
- removing any adverse information placed on Mr B's credit file because of loans 1-4;

†HM Revenue & Customs requires L2G to take off tax from this interest. L2G must give Mr B a certificate showing how much tax it's taken off if he asks for one.

### **My final decision**

My final decision is that I uphold Mr B's complaint and direct Loans 2 Go Limited to pay

compensation as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 1 May 2021.

Mark Richardson  
**Ombudsman**