

The complaint

Mr D says Loans2Go Limited gave him loans that were unaffordable at extremely high interest rates.

What happened

Mr D took out seven loans from Loans2Go between December 2015 and July 2019. A summary of his borrowing follows.

loan	taken out	repaid	amount, £	term, months	monthly repayment, £
1	18/12/2015	05/02/2016	350	12	67.67
2	15/02/2016	07/07/2016	250	12	48.37
3*	07/07/2016	09/12/2016	1000	18	226.56
4	24/02/2017	13/06/2017	400	18	90.62
5	15/08/2017	04/07/2018	250	18	56.64
6	03/04/2019	22/07/2019	700	18	159.99
7	26/07/2019	23/08/2019	250	18	57.14

**top up of loan 2*

Mr D says Loans2Go didn't do effective affordability checks or advise him about free debt management advice when needed.

Our adjudicator found that loans 4 to 7 should not have been given. She said Loans2Go had completed proportionate checks for all the loans but it hadn't made fair lending decisions for loans 4 onwards based on the information it gathered.

Loans2Go disagreed saying, in summary, whilst there was some adverse information on Mr D's credit file this was to be expected given the type of lending it offers. It argues the reports were on the whole very positive and it disagreed it was wrong to lend to Mr D. As agreement could not be reached, the complaint was passed to me for a decision.

I reached a different conclusion to our adjudicator, so I issued a provisional decision (an extract follows and forms part of this final decision). I asked for the parties to send me any further comments by 27 May 2021.

extract from my provisional decision

I can see Loans2Go asked for some information from Mr D before it approved the loans. It asked for his monthly income and expenditure. For the earlier loans it says it checked his income with payslips, and with the later loans it completed an income verification check with a third party. It says it adjusted his declared expenditure to ensure it was reasonable using

national averages. For each application it checked Mr D's credit file to understand his existing monthly credit commitments and credit history. I can't see it asked about the purpose of the loans. From these checks combined Loans2Go concluded the loans were affordable for Mr D.

I agree with the adjudicator that the checks were proportionate for loans 1 and 2, and I haven't found anything in the information it gathered that I think should have led it to make different lending decisions.

However I don't think the checks were proportionate for loan 3. The amount being lent was significantly higher than loans 1 and 2, and it was over a longer term. Plus, from the pattern of Mr D's borrowing I think Loans2Go ought to have realised it was most likely Mr D was becoming increasingly reliant on credit to meet his ongoing needs. So Loans2Go needed to make sure it fully understood Mr D's finances.

It seems that Loans2Go continued to rely heavily on information that Mr D was providing about his monthly expenditure. The rules and regulations say that where a lender takes income or expenditure into account, it is not generally sufficient for it to rely solely on a statement of those matters made by the customer. And I don't think in this case it was enough to rely on national averages as a check. In the circumstances I think Loans2Go should have sought to independently verify more of the information to ensure its checks were borrower-focused. There are different ways it could have done this, I have looked at Mr D's bank statements from the time to see what the lender might have found from a fuller financial review.

Better checks would have shown Loans2Go that Mr D was having problems managing his money. In the month before Mr D's application for loan 3 he spent just under half his income on gambling transactions. As a responsible lender I think Loans2Go would have realised there was a high risk Mr D would be unable to sustainably repay this loan. So I think it was wrong to give this loan.

It follows that had it carried out proper checks for loan 3 and declined the application, I would only have expected Loans2Go to lend to Mr D in the future if it could be sure his financial situation had stabilised. I am not persuaded Loans2Go carried out good enough borrower-focused checks for these subsequent loans given it needed to be sure Mr D could sustain his repayments over 18 months.

But as our adjudicator set out, even from the level of checks it carried out Loans2Go ought to have realised that Mr D was struggling financially. There was evidence Mr D was having problems managing his money - on the credit report the lender reviewed at the time of loan 4 it could see a County Court Judgment had been registered against him in August 2016. And it could see his total level of indebtedness hadn't decreased showing his financial position hadn't improved.

The pattern had not changed at the time of Mr D's applications for either loan 5, 6 or 7. On each occasion the credit reports Loans2Go looked at showed his overall indebtedness had increased since the prior application, and he was relying more on his overdraft and credit cards. By loan 7 Mr D had been borrowing from Loans2Go for over three and a half years during which time his overall debt had risen by almost £15,000. So I think Loans2Go ought to have realised continuing to lend to Mr D was contributing to his indebtedness increasing unsustainably, and he was most likely in a cycle of borrowing to repay other debt.

Loans2Go argues Mr D was an 'outstanding' customer, settling a number of loans early. Whilst I agree early settlement can be a sign of an improved financial position, it can also indicate that someone is borrowing to repay so this does not change my provisional

conclusion. It follows I think Loans2Go was wrong to give loans 3 to 7 to Mr D.

I went on to explain why I didn't find that Loans2Go had acted unfairly or unreasonable in any other way. And I set out what Loans2Go would need to do to put things right.

Both parties responded before the deadline to say they accepted my provisional decision.

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.

Our approach to unaffordable/irresponsible lending complaints is set out on our website and I followed it here.

As neither party sent any new comments or evidence it follows I have no reason to change the findings or outcome I set out in my provisional decision. And I am upholding Mr D's irresponsible lending complaint about loans 3 to 7.

Putting things right

I think it's fair and reasonable for Mr D to have repaid all the capital that he borrowed, because he had the benefit of that money. But he has paid interest and charges on five loans that shouldn't have been provided to him. So Loans2Go should:

- Remove all interest, fees and charges on loans 3 to 7 and treat all the payments Mr D made as payments towards the capital.
- If reworking Mr D's loan accounts results in him having effectively made payments above the original amounts of capital borrowed, then Loans2Go should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date of settlement*.
- Remove any adverse information recorded on Mr W's credit file in relation to loans 3 to 7.

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

My final decision

I am upholding Mr D's complaint in part and Loans2Go limited must put things right as set out above.

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

Rebecca Connelley
Ombudsman