

The complaint

Mr Z complains that Loans 2 Go Limited irresponsibly lent to him when he took out two personal loans with it.

What happened

In August 2018 Mr Z borrowed £500 from Loans 2 Go. This loan was taken over a period of 18 months with a monthly repayment amount of £113.28. This loan was repaid in full within the cooling off period with a single payment of £500 – so only the amount borrowed was repaid with no interest added.

In February 2020, Mr Z borrowed £1000 from Loans 2 Go. This loan was also taken out with a repayment period of 18 months. The monthly repayment amount was £228.56. Again this loan was settled early but some interest was charged as Mr Z requested a settlement balance 14 days after the loan had been taken. He made a payment of £1096.78 and the loan was marked as Completed – Withdrawn.

In March 2020 Mr Z contacted Loans 2 Go again and borrowed £1000. This loan was also taken out with a repayment period of 18 months with a monthly repayment of £228.56. Eleven days after taking this loan out, Mr Z called Loans 2 Go and explained that he has a gambling addiction and he'd like the interest on the account frozen. Loans 2 Go said it couldn't do this, but as the loan had only been taken out eleven days ago, he had the right to withdraw from the loan and just repay what he borrowed. Mr Z said he didn't have any money to repay it and asked if a payment plan could be organised. Loans 2 Go said this couldn't be arranged at this point.

On 26 March 2020, Mr Z complained to Loans 2 Go. He said it had acted irresponsibly when it lent to him and explained that he had nine loans outstanding. He felt it can't have carried out the proper checks ahead of the lending and he now needed help with the interest being frozen.

Loans 2 Go sent Mr Z its final response on his complaint on 17 July 2020. It said it didn't think it had been irresponsible when it provided Mr Z with the loans. It explained the checks it undertook including the assessment of his income and expenditure as well as the information received from the credit checks it carried out when the applications were made. It said it hadn't been notified of Mr Z's gambling problem previously and so couldn't take this into account when lending to him and from the checks it did carry out, it felt it had acted responsibly when providing him the credit.

Our investigator looked at Mr Z's complaint and said he felt Loans 2 Go had undertaken reasonable and proportionate checks in relation to the size and duration of the loans being applied for. He didn't think it was reasonable to think the business would have considered from these that the loan was unsustainable and in turn unaffordable for Mr Z.

He said he appreciated that Mr Z had a gambling problem at the time of the lending but it wasn't something Loans 2 Go would have been aware of and it couldn't take account of this with its lending decision.

Mr Z said he disagreed with the outcome and questioned how the amount of interest he was being charged on the account could be fair.

The investigator explained the interest rate is something the business is entitled to set and this was agreed to when the application was completed. As Mr Z didn't agree, the complaint has been passed to me for 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.

I've decided not to uphold this complaint for much the same reasons as our investigator. I know this will be disappointing for Mr Z, but I'll explain why I've reached this decision.

Our approach to unaffordable/irresponsible lending can be found on our website and I've followed this approach when considering Mr Z's complaint.

The rules and regulations in place require Loans 2 Go to carry out reasonable and proportionate checks to determine whether Mr Z could afford to repay the loan in a sustainable way. These checks needed to be borrower focused so Loans 2 Go needed to consider whether repaying the loan in a sustainable way would result in difficulties for Mr Z or adverse consequences. So it needed to think about the impact on Mr Z and not just how likely it was that it would get its money back.

There is no set list of checks to define what a proportionate check is. But CONC5.2A.20 sets out examples of the factors that need to be considered. These checks need to focus on the personal circumstances of the borrower so what is reasonable may differ from person to person. But the following examples are common: consideration to the type of credit, amount, duration of the loan, amount and frequency of repayments, total amount repayable.

Did Loans 2 Go carry out reasonable and proportionate checks?

Loans 2 Go said it carried out a number of checks on Mr Z ahead of agreeing to provide him with the loan amounts. This included an income expenditure assessment and a credit search. The credit file information was used to supplement the income expenditure assessment with outgoings added on.

Mr Z confirmed what he takes home after tax each month. Loans 2 Go verified this with an online verification tool to check the minimum he took home. This showed an income of no less than £1350.38 per month.

It then compared his income against what he said he spent each month while also allowing for the information his credit search highlighted. This increased the level of expenditure from the £600 stated to £974. Loans 2 Go also allowed for a buffer of 10% before deciding whether the loan repayment Mr Z had committed to when taking out the loan was sustainable.

Overall, I think Loans 2 Go carried out reasonable and proportionate checks. It assessed Mr Z's incomes and expenditure and reviewed his credit file to help establish whether there were any indications that he may struggle to meet his repayments.

The credit file information returned with the credit search carried out by Loans 2 Go didn't show any adverse information or reason to be concerned about Mr Z's ability to repay his

loan. I appreciate that he's said at the time he had 9 other loans but this wasn't reflected on the credit file. And based on the information provided and what Loans 2 Go had established with the income expenditure information, I don't think it needed to go further with its checks.

Did Loans 2 Go make a fair lending decision?

Based on the information provided, I think it would have been reasonable for Loans 2 Go to consider that the monthly repayment for the loans were affordable for Mr Z. And I think Loans 2 Go made a fair lending decision based on the information it had available when the loans were taken out.

The checks it carried out were reasonable and proportionate and I think it was reasonable to rely on the information returned from these checks. As I've said above, these didn't show that Mr Z had any issues with managing his finances or that he was in a difficult financial situation. And I don't think it would have been reasonable for Loans 2 Go to carry out any more in-depth checks such as requesting bank statements in addition to these.

I appreciate that Mr Z has now told Loans 2 Go about his gambling addiction and that he is struggling to meet the repayments for his outstanding loan. But I don't think it's fair to say this knowledge now means it acted irresponsibly when it lent to him. If Mr Z is now struggling to meet his repayments I would expect Loans 2 Go to work with him in a positive and sympathetic manner to assist with his payments now. But this doesn't mean it acted unfairly when it lent to Mr Z at the time.

My final decision

For the reasons I've explained above, I don't uphold Mr Z's complaint against Loans 2 Go Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Z to accept or reject my decision before 27 February 2022.

Thomas Brissenden
Ombudsman