

## **The complaint**

Mr G complains that Loans 2 Go Limited lent to him irresponsibly.

## **What happened**

In May 2020, Mr G approached Loans 2 Go and applied for and was given a loan of £1,000. It had an Annual Percentage Rate (APR) of 1,013.2% and was to be repaid in 18 monthly instalments of £228.56 – a total of £4,114.08. At the time, Mr G tells us he had a severe gambling addiction, several payday loans and was struggling financially as a result. Mr G says to fund his gambling, he'd convert money into cryptocurrency and transfer it from there to a gambling website. He says that if Loans 2 Go had properly assessed his application it should have refused to lend to him. Mr G says it was irresponsible for Loans 2 Go to lend to him.

Loans 2 Go looked into his complaint. It said it had followed its usual process for assessing his application including the use of an income verification tool, assessment of his expenditure and a credit check. It felt its checks were reasonable and proportionate as required by the regulator's guidelines. Loans 2 Go said it was unaware of Mr G's gambling addiction and may not have been aware of all his payday loans. It said payday loans are not always reported to the credit reference agencies, so they do not always appear on credit files.

Loans 2 Go reviewed Mr G's bank statements as part of the review of his complaint. It noted the volume of payments to a cryptocurrency provider but did not see any gambling transactions. It said that it felt the provider was used to exchange cryptocurrency and couldn't be considered gambling. In any event, it said it wouldn't have refused to lend to Mr G just because he was gambling. Loans 2 Go rejected Mr G's complaint.

Mr G was unhappy with what Loans 2 Go had said, so he referred his complaint to us. One of our investigators looked into it. She didn't agree that proportionate checks had been carried out based on what Loans 2 Go knew about Mr G at the time of the application. She upheld the complaint and asked Loans 2 Go to put things right for Mr G.

Mr G accepted what our investigator said, but Loans 2 Go didn't. As there was no agreement, the complaint has been passed to me for a 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.

We've set out our approach to complaints about unaffordable and irresponsible lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.

The rules lenders must follow are set out by the industry regulator, the Financial Conduct

Authority, in its Consumer Credit Sourcebook (CONC). Loans 2 Go needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Mr G irresponsibly; it had to satisfy itself that he'd be able to repay the loan sustainably. It's not about Loans 2 Go assessing the likelihood of it being repaid, but it had to consider the impact of the loan repayments on him.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the loan, the amount of the monthly repayments and the overall circumstances of the borrower.

Loans 2 Go has provided a copy of Mr G's application, evidence of the checks it carried out regarding Mr G's income and expenditure, and a copy of the credit file it obtained.

On the application, Mr G declared he was earning £2,259 per month and had expenses of £935 which left him with a monthly disposable income of £1,324. I think at the outset this ought to have made Loans 2 Go think further checks may be necessary, as Mr G was looking to borrow less than his monthly disposable income at high rates of interest over 18 months.

Loans 2 Go went on to follow its usual process. Its verification tools suggested Mr G actually earned £1,874 per month and had expenses of £1,419 rather than the figures he's quoted. These are significantly different and, again, in my view, ought to have led Loans 2 Go to look more closely at Mr G's financial situation to understand the reasons for the discrepancies. Indeed CONC 5.3.7R says a lender shouldn't agree an application where it knows or suspects the applicant hasn't been truthful in completing the application. It seems Loans 2 Go at least suspected Mr G may not have been truthful.

Loans 2 Go also looked at Mr G's credit file. While I acknowledge that it caters specifically for people with impaired credit ratings, I think Loans 2 Go ought to have seen there were signs of financial pressure. I say this because he had a number of credit cards which were very close to their limits – one taken just six months earlier with a limit of £4,000 was up to £3,983 – and another card had been opened just two months earlier. His current account which had an overdraft limit of £650 was showing a balance of £560. I think that these factors taken into account with the discrepancies Loans 2 Go had already identified in his application, ought to have led it to at least look more closely at Mr G's financial circumstances.

It follows that I don't think Loans 2 Go carried out reasonable and proportionate checks on Mr G's application.

While different checks can show different things, one way for Loans 2 Go to get more information about Mr G's circumstances would have been for it to ask to see some bank statements. It didn't do so at the time but did ask for them as part of its investigation into his complaint. It has noted a high volume of transactions to a cryptocurrency exchange which Mr G says he used to fund his gambling. As I've said earlier, Loans 2 Go didn't think these transactions would have led it to reach a different lending decision, even if it had obtained the statements at the outset.

I've looked carefully at the statements Mr G provided and thought about what Loans 2 Go has said about them. The statements show that from 4 February to 3 March 2020, £9,290 was paid into his account and £9,343 was paid out. The vast majority of the outgoing transactions were to the cryptocurrency exchange. The income came from his salary of £2,260 and the rest largely from transfers from his wife's account.

Between 4 March and 3 April 2020, there was a similar pattern – around £8,564 paid in and

£8,865 paid out. Between 4 April and 4 May 2020, £7,910 was paid in and £8,102 paid out in similar transactions. On 22 April 2020, a direct debit of £33.66 to Mr G's motor insurer was returned unpaid as he exceeded his overdraft limit of £650.

I'm a little surprised that Loans 2 Go doesn't feel these statements would have led it to reach a different lending decision. I say this because it has an obligation to ensure that any lending it makes is repayable on a sustainable basis by the borrower. That is the borrower should be able to repay the credit without undue difficulty, while being able to meet other commitments and without having to borrow further. I don't think the statements show that Mr G's finances are under control or give any kind of reassurance that he'll have been able to repay £228 on a monthly basis for 18 months.

Given the volume of transactions being made to the currency exchange, I think Loans 2 Go would have been obliged to investigate further what Mr G was doing with the money. If it believed he was simply buying cryptocurrency, then it doesn't make sense that he would need a loan of £1,000 – particularly one attracting such a high rate of interest - as he could simply have sold some of the currency he'd bought. It seems clear to me that Mr G was desperate for cash (as he's said himself) and it was very unlikely this new loan would be sustainable for him. After borrowing money from a family member, Mr G repaid this loan after four months or so.

I've already said that I don't think Loans 2 Go carried out sufficient checks on Mr G's application. If it had, for example by obtaining his bank statements, I think it ought to have refused to lend to Mr G.

### **Putting things right**

When I find that a business has done something wrong, I'd normally direct that business to put the complainant in the position they would be in now if the mistake it made hadn't happened, as far as is reasonably practical.

In this case, that would mean putting Mr G in the position he would be in now if he hadn't been given the loan. But Mr G was given the loan, used the money and has already repaid the entire amount including interest due under the agreement up to that point.

So, I think Loans 2 Go should:

- Calculate the total amount Mr G received from Loans 2 Go and deduct from that figure the repayments he's made to the loan.
  - If this results in Mr G having repaid more than he received, any overpayments should be refunded to him. Interest at a rate of 8% simple per year should be added to any overpayments from the date they were made until the date of settlement\*.
- Remove any negative information recorded on Mr G's credit file regarding each loan.

\*If Loans 2 Go considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr G how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

### **My final decision**

For the reasons I've explained above, I uphold this complaint. Loans 2 Go Limited should put

matters right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 31 May 2022.

Richard Hale  
**Ombudsman**