

## **The complaint**

Mr E complains that Loans 2 Go Limited (“L2G”) lent him a loan he couldn’t afford.

## **What happened**

The details of this complaint are well known to both parties, so I won’t repeat them all again here.

L2G lent Mr E a loan of £400 in November 2018, this is not in dispute, so I’ll focus on giving the reasons for my decision about this loan.

## **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.

Having done so, I agree with the conclusions reached by the investigator for these reasons:

- L2G says it carried out checks before agreeing to lend. It says it asked about Mr E’s income and expenditure. Mr E declared his income as £3000 but it says it verified this as £2424. It says Mr E declared his expenditure as £1950 and it assessed it as £2033 after it took into consideration what it saw on the credit search it carried out. It says after it had assessed affordability it could see Mr E could afford the loan repayments.
- From what I can see, the amount of income Mr E declared compared to what L2G assessed was quite wide. In addition, on the credit check it carried out there was a County Court Judgement with an outstanding balance to repay. Also, on the check was a short-term loan that was in arrears and 2 credit cards that had balances over the set limits. So, I think when it saw all this, L2G ought to have carried out further checks to find out more and assure itself that Mr E could afford this loan in a sustainable way. I can’t see that it did this and so I don’t think its checks went far enough.
- Mr E has provided copies of his bank statements from around the time of the loan. I’ve relied on this in the absence of information from L2G at the time of the loan as I think his bank statements provide a clear picture about his actual financial circumstances at the time. From what I can see, around the time L2G granted Mr E this loan, Mr E was having problems managing his finances. He was regularly overdrawn, and I can see in the month leading up to L2G granting this loan, Mr E had 6 returned direct debits due to not having the funds in his account to pay them. Mr E was not able to pay what he was already committed to, let alone adding an additional credit commitment. Two of the returned direct debits were in relation to other monthly loan repayments that Mr E held. These repayments were returned only days before Mr E asked for this loan. I think if L2G had carried out further checks and seen this, it would have seen that a further loan repayment on top of this wouldn’t have been sustainable. Especially over the 18-month loan term.

- Sufficient checks by L2G would have shown that Mr E couldn't afford this loan. In the circumstances, L2G lent to Mr E when it shouldn't have, and it needs to put things right.

### **Putting things right**

While I think L2G shouldn't have lent to Mr E, I think it will be fair for him to repay the capital of £400 which he borrowed. So, to put things right, L2G should:

- add up all the payments made by Mr E, if it exceeds the capital amount of £400, then the overpayments plus 8% simple interest\* should be paid to Mr E, remove any adverse information recorded on Mr E's credit file as a result of this loan.

\*HM Revenue & Customs requires L2G to deduct tax from the interest payment referred to above. L2G must give Mr E a certificate showing how much tax it's deducted if he asks it for one.

### **My final decision**

My final decision is that this complaint should be upheld, and I direct Loans 2 Go Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 28 March 2022.

Mark Richardson  
**Ombudsman**