

The complaint

Mr M is unhappy that Loans 2 Go Limited approved him for a loan which he feels was unaffordable for him at that time.

What happened

In December 2018, Mr M applied for a loan with Loans 2 Go. His application was approved, and Mr M received the loan funds later that month.

In September 2020, Mr M raised a complaint with Loans 2 Go on the basis that he felt that the loan he was approved for in December 2018 was unaffordable for him at that time, and that Loans 2 Go should have been aware of this, had they undertaken reasonable checks into his financial position when he applied.

Loans 2 Go looked at Mr M's complaint. They felt that they had undertaken checks into Mr M's financial position at the time of the application, and that these checks hadn't indicated to them at that time that the loan Mr M was applying for would be unaffordable for him. So, they didn't uphold Mr M's complaint.

Mr M wasn't satisfied with Loans 2 Go's response, so he referred his complaint to this service. One of our investigators looked at this complaint. They felt that Mr M's credit file should have given cause for Loans 2 Go to consider whether the loan would be affordable for Mr M such that they should have undertaken more detailed checks into Mr M's financial position.

Furthermore, our investigator felt that had Loans 2 Go undertaken more detailed checks, it was likely that the result would have been that Loans 2 Go would have reconsidered their decision to approve Mr M for the loan, such that Mr M's loan application was never approved. So, they recommended that the complaint be upheld in Mr M's favour.

Loans 2 Go didn't agree with the recommendation made by our investigator, so the matter was escalated to an ombudsman for a final 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 issued a provisional decision on this complaint on 25 May 2021 as follows:

It's for a business to decide if it will offer a loan to a customer, and if so, how much and on what terms. What this service would expect would be that the business undertakes reasonable and proportionate checks to ensure that the loan being offered is affordable for that customer at that time.

Loans2 Go appear to have done that here. They obtained details of Mr M's income and expenditure from Mr M at the time of the application, and they cross-referenced

Mr M's income and expenditure declarations with information gathered from credit reference agencies. And the results of this check were that the monthly repayment due on the loan appeared affordable for Mr M, at that time.

Loans 2 Go also reviewed Mr M's credit file to gain a better understanding of Mr M's wider financial position. And again, following their review, Loans 2 Go concluded that it was reasonable to offer the loan to Mr M.

In their view of this complaint, our investigator felt that Mr M's credit file was such that it should have demonstrated to Loans 2 Go that Mr M may have been struggling financially such that Loans 2 Go should have undertaken more robust affordability checks, including reviewing Mr M's current account statements. And that if Loans 2 Go had reviewed Mr M's current account statements then this would have shown that Mr M was making numerous gambling transactions such that Loans 2 Go might have had cause for concern.

I can understand how our investigator reached this conclusion, but my opinion on this matter differs. Specifically, I'm not convinced that Mr M's credit file was such that it would have been reasonable to expect Loans 2 Go to undertake additional checks or to request to view Mr M's current account statements before approving the loan.

I say this because, while Mr M's credit file does show that Mr M had missed payments on some of his other accounts, it also shows that Mr M appears to have overcome any difficulties that he was facing, such that in the months leading up to the loan application Mr M was back on track with his accounts and making his repayments on time. There is one exception to this, but in that instance Mr M had arranged a payment plan with the credit provider, and the credit file doesn't show that Mr M had failed to meet that agreed plan.

It's also notable that Mr M stated his reason for applying for the loan as wanting money to fund a holiday, and not to cover essential living costs or to pay off existing borrowing.

Mr M had used payday loan providers in the past few years leading up to the loan application, but the majority of these payday loans had been repaid without incident, and as mentioned, it appeared from Mr M's credit file that any financial difficulty that Mr M had been experiencing had been overcome.

While it can be the case that the use of payday loans can be an indicator that an individual is in financial difficulty, this isn't necessarily the case, and it would be expected that an individual's use of payday loans would be assessed in conjunction with that individual's wider financial position. And, in this instance, for the reasons already explained, I don't feel that Mr M's credit file necessarily demonstrated that Mr M was experiencing financial difficulty at that time.

So, the picture that appears to have been visible to Loans 2 Go at the time of the loan application is that Mr M's income and expenditure were such that the monthly loan repayment would be affordable for him, and that Mr M's credit file was such that it appeared that Mr M had overcome any credit repayment difficulties he'd been experiencing previously and was maintaining his existing borrowing responsibly in the months leading up to the loan application. And on this basis, it's difficult to conclude that Loans 2 go shouldn't have approved the loan that Mr M was applying for here.

I understand that it may well have been the case that Mr M was struggling financially at the time of the loan application. But I'm not convinced that it's fair or reasonable to say that Loans 2 Go should have concluded, based on the information available to them at that time, that Mr M was struggling financially at that time. And this means that I'm satisfied that it was reasonable for Loans 2 Go to have approved the loan that Mr M applied for, without the need for any further financial checks.

I realise that this won't be the outcome that Mr M was wanting here, but it follows from this that my provisional decision will be that I won't be upholding this complaint or asking Loans 2 Go to take any further action at this time. I hope that Mr M can understand, given what I have explained above, why I have made the provisional decision that I have, although I welcome any additional comments or information that he, or Loans 2 Go, might wish to make.

Finally, it's my understanding that Loans 2 Go have made a goodwill payment offer to Mr M as part of their response to Mr M's complaint, and that this offer remains open to Mr M at this time.

In my provisional decision letter, I gave both Mr M and Loans 2 Go the opportunity to provide any comments or additional information they might wish me to consider before I moved to a final decision. Loans 2 Go confirmed that they accepted my provisional decision and had nothing further to add. However, Mr M did provide comments and additional information for me to consider.

Mr M disagreed with my provisional decision and felt that he was in a difficult financial position at the time of the application. Mr M referenced the fact that he was suffering with a gambling addiction at the time that he took the loan, and that it was in order to provide funds for this gambling addiction that he took this loan, as well as several other loans that he took at a similar time.

Furthermore, Mr M felt that, had Loans 2 Go undertaken additional checks into his financial position at that time, such as reviewing his current account statements, that his gambling addiction would have been apparent, and that Loans 2 Go wouldn't have approved the loan.

I can appreciate Mr M's position here and I sympathise with him. And I'm aware of the debilitating consequences that a gambling addiction can entail. However, it's important for me to reiterate that this service would only expect a credit provider to undertake reasonable and proportionate checks into an applicant's financial position at the time of an application, and that additional checks - such as the business asking to review the applicant's bank account statements - would only be expected to be requested where the initial checks undertaken by the business provides reasonable cause for concern that such checks might be merited.

And, having re-reviewed the initial checks that Loans 2 Go undertook in this instance - which include information gathered from Mr M directly at the point of application, as well as a review of Mr M's credit file - it remains my opinion that there was nothing within these checks that ought reasonably have given Loans 2 Go cause for concern such that they shouldn't have approved the loan without the need for undertaking additional checks.

Indeed, Mr M has confirmed to this service that, around the time of this application, he was taking out short term loans and repaying them before the due date in an attempt to better his credit score so as to enable him to take further credit. And, while these actions may not have had an effect on Mr M's credit score, they do add credence to the picture that I feel emerges from Mr M's credit file - which is that Mr M had had financial difficulties previously, but that in

the time leading up to the loan application he had recovered his financial position and was managing his credit responsibly.

So, while I don't dispute that Mr M may have been in financial difficulty at that time, based on what Mr M has explained, it remains my position that it was reasonable for Loans 2 Go, when assessing Mr M's financial position on the basis of the information available to them, to have concluded that Mr M was in a healthier financial position than he actually was, and to have approved his loan without the need for further checks accordingly.

Furthermore, in response to the point made in my provisional decision letter that Mr M applied for the loan to fund a holiday, and not for essential spend, Mr M has explained that he stated that the loan was for a holiday because if he had put the real reason he wanted the loan then the loan wouldn't have been approved.

I can appreciate Mr M's point here, but I feel that this further demonstrates that Mr M was taking steps to ensure that Loans 2 Go should feel that it was appropriate for Mr M to be approved for the loan. And it's difficult for me to consider censuring Loans 2 Go for subsequently approving the loan based on the information that Mr M deliberately gave to them with the intention that the loan application would be approved.

Finally, Mr M has referenced the amount of the payments that he was making towards other loans at that time, and that he was spending more than 51% of his gross monthly income on other credit commitments at the time of the application. And this was information that would have been readily available to Loans 2 Go, had they requested current account statements from Mr M.

However, as I've previously explained, I don't feel that there was a reasonable requirement for Loans 2 Go to have requested Mr M's bank statements, and I remain satisfied that the information that Loans 2 Go used to assess Mr M's credit application – including information given to them by Mr M with the intention of providing Loans 2 Go with a picture of his financial position which was supportive of the loan application being approved – was such that it was reasonable for Loans 2 Go to have approved the loan being applied for, without the requirement for further checks.

I realise that this won't be the outcome that Mr M was wanting here, but considering the above, it remains my position that Loans 2 Go didn't act unfairly or unreasonably by approving the loan that they did here. And it follows from this that my final decision will be that I do not uphold this complaint.

I hope that Mr M can understand, given what I've explained above, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 2 August 2021.

Paul Cooper
Ombudsman