

The complaint

Mr B and Mrs S complain about a loan provided to them by Loans 2 Go Limited trading as "Loans 2 Go", which they say were unaffordable.

What happened

Loans 2 Go provided Mr B and Mrs S with a log book loan. The details of which are given in this table:

Taken	Instalment	Amount	Instalments
18/04/2016	96.67	500	12 months

Mr B and Mrs S say they feel that Loans 2 Go have irresponsibly lent the money to them.

I issued a provisional decision on this complaint in June 2021. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

"Did L2G carry out proportionate checks?

I can see that Loans 2 Go asked Mr B and Mrs S about their income and expenditure. I can see that it says it verified the benefits that Mr B and Mrs S received each month and then made a note of their joint expenditure.

I can see from an income and expenditure form that it completed at the time, that total amount of income received through benefits payments to them both came to around £1027. Loans 2 Go then says it assessed Mr B and Mrs S's expenditure to be around £863. After the instalment amount for this loan is deducted, it would leave them jointly with about £67 disposable income left for the month.

Our adjudicator said that Loans 2 Go, after assessing Mr B and Mrs S's joint disposable income should have seen that the loan repayments were not sustainable over the 12-month term of the loan and so didn't make a fair lending decision. I have looked at this and am currently minded to consider, that at the very least it should have carried out further checks to satisfy itself that Mr B and Mrs S could sustainably make the repayments when each one fell due. I make this conclusion after considering the length of the loan, the amount due to be repaid and the small amount of disposable income that Mr B and Mrs S had left after the loan repayment is deducted. I agree with our adjudicator when she says it wouldn't have taken too much unexpected spend for them to struggle to meet their commitments. So, I think Loans 2 Go should have carried out further checks on their expenditure payments to ensure the loan repayments were sustainable.

So, as I have concluded that Loans 2 Go needed to carry out further checks for the loan, I need to consider what it would have seen if it had done so.

What would reasonable and proportionate checks have shown?

As reasonable and proportionate checks weren't carried out before this loan was provided, I can't say for sure what they would've shown. So, I need to decide whether it is more likely than not that a proportionate check would have told Loans 2 Go that Mr B and Mrs S would have been unable to sustainably repay this loan.

Loans 2 Go was required to establish whether Mr B and Mrs S could make their loan repayments without experiencing significant adverse consequences – not just whether the loan payments were technically affordable on a strict pounds and pence calculation.

I've carefully considered the information provided including reviewing bank statements that Mr B and Mrs S have provided for the weeks leading up to their application for the loan. Having done so, it's clear Mr B and Mrs S wouldn't have been able to afford to repay the loan in a sustainable way. Mr B was gambling regularly and, in his circumstances, significant amounts of money at the time he applied for the loan. Mrs S's bank statements showed five unpaid direct debits and an unpaid standing order only a few days before the loan application. She wasn't meeting her financial commitments and bills were not being paid. In these circumstances, it is apparent to me that Mr B and Mrs S were unlikely to have been able to repay the loan without borrowing further or experiencing financial difficulty. It is clear from what I have seen that Mr B and Mrs S were both having problems managing their finances.

Bearing all of this in mind, I'm satisfied that reasonable and proportionate checks would more likely than not have shown Loans 2 Go that Mr B and Mrs S would not have been able to sustainably repay this loan. So, I'm satisfied that Loans 2 Go's failure to carry out proportionate checks resulted in it unfairly providing this loan to Mr B and Mrs S.

So, I am currently minded to conclude that Loans 2 Go needs to put things right for the reasons given above."

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Mr B responded and said he had no further points to add. Mrs S said she only had one further point and that was that L2G knew her history because her mother asked that it didn't lend to her again after the last loan was repaid back. L2G did not respond.

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.

Mr B and Mrs S have not made any new points for me to respond to and L2G has not responded. So, as neither party has anything further to add that I feel I need to comment on or that will change the outcome of this complaint, I don't see any reason to depart from my findings within my provisional decision. With that being the case, I uphold Mr B and Mrs S's complaint.

Putting things right

In line with this Service's approach, Mr B and Mrs S shouldn't repay more than the capital amount they borrowed for the loan. With this in mind, Loans 2 Go should:

- add up the total amount of money Mr B and Mrs S received as a result of being given the loan. The payments Mr B and Mrs S made should be deducted from this amount. Any payments made after the total repaid exceeds the amount Mr B and Mrs S was given should be treated as overpayments and refunded to them;
- add interest at 8% per year simple on any overpayments from the date they were paid by Mr B and Mrs S to the date of settlement†;
- remove any adverse information placed on Mr B and Mrs S's credit file because of the loan;

*HM Revenue & Customs requires Loans 2 Go to take off tax from this interest. Loans 2 Go must give Mr B and Mrs S a certificate showing how much tax it's taken off if they ask for one.

My final decision

My final decision is that I uphold Mr B and Mrs S's complaint and direct Loans2Go Limited to put things right as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs S to accept or reject my decision before 4 September 2021.

Mark Richardson
Ombudsman