

The complaint

Ms E complains Loans 2 Go Limited irresponsibly lent to her.

Ms E is represented by a claims management company, but for ease of reference I'll refer to all submissions as if she made them directly.

What happened

In September 2019, Ms E was approved for a £250 capital amount loan to be repaid over 18 months, with monthly repayments of approximately £57. Ms E says that Loans 2 Go did not complete proportionate checks before the loan was approved. And had it done so, Loans 2 Go would've seen the loan was unaffordable to her. Ms E says she was experiencing financial hardship before the loan was approved; and this continued afterwards. Ms E says she has lost out financially on the basis she has had to pay additional interest and charges.

Loans 2 Go disagree it lent irresponsibly. It says it completed proportionate checks; and the information it gathered demonstrated Ms E could afford the loan sustainably.

Our investigator recommended the complaint be upheld. In coming to their conclusion, they argued:

- Loans 2 Go had completed proportionate checks. This was because the loan value was low; and the information Loans 2 Go completed gave it a decent insight into Ms E's financial circumstances;
- Even though proportionate checks had been completed; Loans 2 Go had still not made a fair decision to lend. This was because the information Loans 2 Go had gathered at the point of sale, showed that Ms E was already exceeding a number of her existing credit limits. As such, they weren't persuaded that Ms E was in a position to take on further credit, or sustainably repay this loan.

Loans 2 Go disagreed with our investigator's assessment. It maintained it had considered all of Ms E's existing commitments; and the information it had did not demonstrate that Ms E was struggling financially. It also highlighted that the loan value was small, and that Miss E had not missed a repayment. It says Ms E settled the loan early.

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 irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. I've used this approach to help me decide this complaint.

Loans 2 Go needed to take reasonable steps to ensure it responsibly lent to Ms E. The relevant rules, regulations and guidance at the time Loans 2 Go lent required it to carry out reasonable and proportionate checks. These checks needed to assess Ms E's ability to afford the loan and repay it sustainably over its term without causing her financial difficulties.

There isn't a set list of checks a lender needs to carry out, but they should be proportionate, taking into account things like the type, amount, duration and total cost of the credit, as well as the borrower's circumstances.

And it isn't sufficient for Loans 2 Go to just complete proportionate checks – it must also consider the information it obtained from these checks to make a fair lending decision. This includes not lending to someone in financial hardship; and ensuring repayments can be made sustainably without having to borrow further.

Considering all of the information which has been provided; I'm satisfied that Loans 2 Go completed proportionate checks in this instance. The amount being advanced here was low; and as such Loans 2 Go's checks needed to give it a decent understanding of Ms E's finances. The loans purpose was described as 'other'. In this instance Loans 2 Go completed an income and expenditure assessment on Ms E; and used an income verification tool to readjust the figure it was presented with (it lowered the figure Ms E declared for her income). It also searched Ms E's credit file; and used this information to help calculate some of Ms E's outgoings. So, considering these checks gave Loans 2 Go a decent understanding of Ms E's financial commitments; and it had adjusted the information it had been given, I'm satisfied it completed proportionate checks.

Even though Loans 2 Go completed proportionate checks; it still had to carefully consider the information it had before deciding to lend to Ms E. And it needed to ensure any decision to lend was sustainable – meaning that Ms E could repay the loan without incurring further hardship or having to borrow further.

Looking at the information which was collected; I'm not persuaded that Loans 2 Go made a fair decision to lend. The credit search showed that Ms E had a large number of active existing credit accounts. The report showed that Ms E was utilising these existing credit lines to over 90% of her total limits. Importantly the credit report showed that Ms E was exceeding a number of these existing credit accounts. She had exceeded two credit cards, both of which had higher limits than the amount being advanced. The total amount she had exceed was also higher than the amount being borrowed from Loans 2 Go.

The report also shows that Ms E had taken out a further credit card and unsecured loan in the months leading up to this application. Ms E had already placed a large amount of money on this new credit card. The report also suggests that Ms E was exercising the use of an overdraft facility on her current account.

Considering this information, I'm not persuaded that Loans 2 Go made a fair decision to lend. As stated above, Loans 2 Go needed to ensure any further lending was sustainable to Ms E; and this means being able to make repayments without incurring hardship or having to borrow further. Loans 2 Go also needed to ensure it wasn't lending to someone who was already in financial difficulties. I'm satisfied the information on the credit report demonstrated that this was likely the case for Ms E. In particular the fact she was exceeding her credit limits, using an overdraft to a large amount; and had recently taken on more credit demonstrates that it was likely her finances were such that any further lending was not sustainable. The fact she had exceeded her credit limits on multiple accounts also demonstrates that she was more likely than not already in financial difficulties at the point of the application.

In addition to this, this loan was taken out for the purpose of 'other'. Meaning that it was more likely than not that the lending was going to be increasing Ms E's overall level of indebtedness. The amount being advanced was also not sufficient to clear Ms E's existing debts, or even reduce the amount she had exceeded on her credit cards.

So taking all of this into account, I'm satisfied that the information Loans 2 Go had demonstrated that Ms E was not in the financial position to take on more lending. And that any further lending was more likely than not to be unsustainable for her, whilst placing her into further financial difficulties. As such I'm satisfied Loans 2 Go acted unfairly in provided this loan to Ms E.

Putting things right

Ms E has lost out financially as a result of this loan, as she has had to pay additional interest and charges associated with it. As such I require Loans 2 Go Limited to do the following to put things right:

- Refund any interest and charges which Ms E paid as a result of this loan;
- Pay Ms E 8% simple interest on the refunded interest and charges from the date they were paid to the date of settlement*;
- Remove any adverse information on her credit file in relation to this loan.

*HM Revenue & Customs requires Loans 2 Go Limited to take off tax from this interest. Loans 2 Go must give Ms E a certificate showing how much tax it has taken off if she asks for one.

My final decision

My final decision is that I uphold this complaint against Loans 2 Go Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms E to accept or reject my decision before 6 May 2022.

Tom Whittington
Ombudsman