

## The complaint

Mr W complains that the loans he had from Loans 2 Go Limited were unaffordable to him.

## What happened

Mr W had two loans from Loans 2 Go between December 2018 and July 2019 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Max Monthly Repayment</u>	<u>Due</u>	<u>Repaid</u>
1	3 Dec 2018	£500	18m	£113.28	3 Jun 2020	Withdrew 10 Dec 2018
2	23 Jul 2019	£500	18m	£114.28	23 Jan 2021	Sold 15 Dec 2020

Mr W says he contacted Loans 2 Go when he struggled to make the repayments, but it didn't offer him any help. He said he had to borrow further and ended up in a worse financial situation. Mr W says Loans 2 Go didn't sufficiently check his finances and his credit file would have shown further lending was unaffordable.

Loans 2 Go says it carried out a thorough affordability assessment which included verifying Mr W's declared income and checking his credit file. It says its calculations showed the repayments on both loans were affordable to Mr W.

Our adjudicator recommended the complaint should be upheld. She found that the available information indicated Mr W was already struggling to manage his money before loan 1 and that Loans 2 Go should have realised that further lending was unsustainable. She recommended that Loans 2 Go should deduct any payments Mr W made from the total money he received and refund any overpayments plus 8% interest. She said it should also ensure that any associated negative information is removed from Mr W's credit file.

Loans 2 Go responded to say, in summary, that it agreed with the recommendation for loan 2, but not for loan 1. It said that, based on the circumstances, it considered the checks were proportionate for loan 1 and there was nothing to indicate further checks were necessary or the lending was unsustainable. Loans 2 Go adds that, given the type of product it offers, customers sometimes have adverse information on their credit files.

## My provisional findings

I issued a provisional decision to Mr W and to Loans 2 Go on 27 January 2022. I've summarised my findings:

I was satisfied that Loans 2 Go's checks went far enough for loan 1 because:

- This was Mr W's first loan with Loans 2 Go and the scheduled repayments were less than 7% of his verified income;
- Loans 2 Go verified Mr W's income and found it to be around £1,700 per month, as compared with the £2,500 he'd declared;
- Loans 2 Go used statistical averages for Mr W's expenditure as the figures were higher than those he'd declared;
- Even though Loans 2 Go's analysis showed discrepancies between its checks and Mr W's declared income and expenditure, the affordability calculations still showed the repayments were sustainable:
  - Based on Mr W's verified income, his credit file and his self-declared expenditure, Mr W was left with almost £700 of monthly disposable income;
  - Using Loans 2 Go's estimate for Mr W's expenditure gave him a disposable income of over £360 per month;
- The credit check showed:
  - No defaults or County Court Judgements;
  - Five credit cards at or slightly above their limit, but with up-to-date payments;
  - Monthly credit expenditure of around £450;
  - One account on a payment arrangement – making higher payments to cover one month's arrears;

I didn't consider there was anything in the above information that should have indicated to Loans 2 Go that it needed to carry out additional checks or that Mr W was already struggling to manage his money.

So, taking into account the evidence I'd seen, I considered Loans 2 Go carried out reasonable and proportionate checks and made a fair lending decision for loan 1.

As Loans 2 Go agreed with the adjudicator's assessment for loan 2, I didn't consider it further.

Loans 2 Go responded to say, in summary, that it accepted the provisional decision.

Mr W called in to discuss the provisional decision and ask further questions. He did not provide any further information.

### **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.

In response to Mr W's call I sent him the following information:

- I explained that lenders are expected to carry out proportionate checks when assessing a loan application but that this does not mean it needs to look at bank statements in every case:

- The provisional decision outlined why I considered Loans 2 Go did enough checks for loan 1 and why those checks gave it no reason to decline his application at that stage;
- I addressed his wife's concerns about the 100% price cap, and explained this applies to loans of 12 months or fewer (high-cost, short-term credit);
- As Mr W repaid loan 1 within a week of taking it out, he only paid £19.66 in interest;
- I confirmed the response date was 24 February 2022.

As neither party provided any additional information, and Loans 2 Go accepted my provisional decision, I see no reason to depart from it.

### **My final decision**

My decision is that I uphold this complaint in part. If loan 2 remains with a debt collection agency, then Loans 2 Go should buy it back if it is able to do so and then take the following steps. If it is not able to buy the debt back, then Loans 2 Go should liaise with the new debt owner to achieve the results outlined below.

Loans 2 Go Limited should:

- Remove any interest and charges still outstanding on loan 2 and treat all the payments Mr W made towards this loan as payments towards the capital;
- If reworking Mr W's loan 2 account as I've directed results in Mr W effectively having made payments above the original capital borrowed, then Loans 2 Go should refund these overpayments with 8% simple interest calculated on them, from the date the overpayments would have arisen, to the date of settlement\*;
- If reworking Mr W's loan 2 account leaves an amount of capital still to be paid, then Loans 2 Go should take a sympathetic view when seeking to agree an affordable repayment plan with Mr W;
- Remove any adverse information recorded on Mr W's credit file in relation to loan 2 – up to the date the complaint is settled.

\* HM Revenue & Customs requires Loans 2 Go to take off tax from this interest. Loans 2 Go must give Mr W a certificate showing how much tax it's taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 25 March 2022.

Amanda Williams

**Ombudsman**