

The complaint

Mr M complains that Loans 2 Go Limited ("L2G") irresponsibly lent to him.

What happened

I issued a provisional decision on this complaint on 1 February 2022 setting out how I think the complaint should be resolved. I gave both parties until 1 March 2022 to provide any further information or evidence they wanted me to consider before issuing a final decision.

The extracts from my provisional decision are below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

L2G is aware of its obligations under the rules and regulations in place at the time of this lending decision, including the Consumer Credit Sourcebook ("CONC"). Briefly, it was required to carry out sufficient checks to ensure that a consumer would be able to repay the borrowing applied for in a sustainable way. As set out in CONC 5.3.1G(2) that means that the consumer could manage the repayments,

"...without...incurring financial difficulties or experiencing significant adverse consequences"

It was required to gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn't set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend. The key thing was that any checks needed to be proportionate and had to take into account a number of different things, including things such as how much was being lent and when what was being borrowed was due to be repaid.

Did L2G carry out sufficient/proportionate checks?

L2G has provided evidence to show that before lending any of the loans, it searched Mr M's credit file, it asked him about his income and living costs including his regular credit commitments. L2G says it verified Mr M's declared income and expenses for both loans and found that Mr M's expenses were more than he had declared for both loans. It also says its checks showed that Mr M's income for loan 1 was around £1,039 and around £1,162 for loan 2. It worked out Mr M's living costs and credit commitments as £744.83 and £875.53 for each loan respectively. L2G says it verified the information through an online tool and using the nationally available statistics to estimate Mr M's expenses. It says it added a 10% buffer to the expenses for both loans and based on that Mr M had sufficient disposable income.

I think the checks went far enough for loan 1. This was Mr M's first loan with L2G, and although the results of L2G's search of his credit file shows he was utilising credit, it didn't suggest he was reliant on credit or paying significant portions of his income towards this. And so, based on the checks which I think were proportionate, I don't think L2G acted unfairly when it lent loan 1.

However, by loan 2, I think L2G should have done more before agreeing to lend here. Mr M was returning for another loan within a short time of repaying the previous loan and while he repaid the previous loan early, L2G's system notes suggests there were signs that he may have had some trouble doing so. There's the further question about why Mr M repaid loan 1 within a month when he had 18 months to do so. Also, by this stage, the results of the credit search show that Mr M was now using more credit and including the repayment of this loan, he was due to repay a significant portion of his income towards credit and in my opinion, even without taking its checks further, it should have been aware that Mr M would likely struggle to repay this loan and this was borne out in the fact that Mr M hasn't been able to maintain his payments for this loan.

Overall, L2G wasn't wrong to lend loan 1 but it didn't do enough before making the decision to lend loan 2 and had it reacted to what it knew about Mr M, it wouldn't have lent loan 2 and so it needs to put things right."

The time to respond has now passed. L2G has said it had nothing further to add and Mr M hasn't responded to the provisional 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.

Having reconsidered all the information, I see no reason to depart from the conclusions I reached in my provisional decision.

L2G shouldn't have lent Mr M loan 2 and it needs to put things right.

Putting things right

To put things right for Mr M, L2G should;

- remove all interest, fees and charges applied to loan 2 and treat all payments Mr M made towards the loan as payments towards the capital amount.
- If after doing the above, there's a surplus, then L2G should add 8% interest per year to the surplus from the date the payments were made, if they were to the date of settlement† and refund those to Mr M.
- if there's still a balance outstanding then L2G should agree a suitable repayment plan with Mr M;
- L2G should remove any adverse information recorded on Mr M's credit file as a result of loan 2.

†HM Revenue & Customs requires L2G to take off tax from this interest. L2G must give Mr M a certificate showing how much tax it's taken off if he asks for one.

My final decision

I uphold Mr M's complaint in part and 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 M to accept or reject my decision before 6 April 2022.

Oyetola Oduola
Ombudsman

