

The complaint

Mr M complains that Loans 2 Go Limited provided him with loans he was unable to afford to repay.

What happened

Mr M took out the following loans with Loans 2 Go:

	Date	Amount	Term	Monthly repayment	Amount paid	Date repaid
Loan 1	19/2/2019	£250	18 Months	£57	£743	20/11/2019
Loan 2	10/12/2019	£300	18 Months	£69	£300	11/12/2019
Loan 3	27/12/2019	£250	18 Months	£57	£270	10/1/2020
Loan 4	2/10/2020	£400	18 Months	£91	£577	23/11/2020

He complained that he was unable to afford the loans and that when he asked for Loans 2 Go to freeze interest and charges it failed to deal with him sympathetically.

On referral to this service our adjudicator found that Loans 2 Go shouldn't have lent in respect of loans 1, 2 and 4, but that in respect of loan 3 it made a reasonable lending decision. She said that Loans 2 Go should refund all interest and charges in respect of the three loans.

Loans 2 Go pointed out that, in respect of loan 2, Mr M had repaid this within the 14 days cooling off period and hadn't been charged any interest and that there was no adverse credit information recorded in respect of that loan. In respect of loan 1 it accepted our adjudicator's view, but in respect of loan 4 it said that it had made a reasonable lending decision and that it had assessed that Mr M was able to afford that loan.

I issued a provisional decision. In it I said that in respect of loan 2 as Mr M had repaid this within the cooling off period and hadn't been charged any interest I didn't propose to take any further action. I said Loans 2 Go had made a fair lending decision in respect of loan 4, but that it hadn't done so in respect of loans 1 and 3. So I said it should refund all interest and charges in respect of those loans.

Neither party has responded to my provisional findings.

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 made the following provisional findings:

"I have to consider whether Loans 2 Go completed reasonable and proportionate checks to satisfy itself that Mr M would be able to repay the loan in a sustainable way and/or without experiencing significant adverse consequences. Then taking that into account I have to

consider whether in the circumstances Loans 2 Go made a fair lending decision.

In respect of all the loans Mr M completed a detailed application setting out his income and outgoings. Loans 2 Go carried out a credit check and independently verified Mr M's income. In respect of his outgoings it relied on Office for National Statistics (ONS) figures and where this produced a higher figure than Mr M declared, it used the higher figure.

loan 1

Mr M had clearly been relying on short term loans. At the time of taking out this loan, he had six such loans that were current. He also had three credit cards with balances on them and had had numerous short term loans in the two years prior to taking out this loan. His credit commitments were high – over £1,100 out of a monthly income of £2,095. It's clear from the way the loan account was run that Mr M kept missing payments.

Whilst I think Loans 2 Go carried out reasonable and proportionate checks, I think those checks disclosed that it was unlikely that Mr M was going to be able to afford the loan despite its relatively low monthly repayments. I think that Loans 2 Go didn't make a fair lending decision here.

loan 2

I note that Mr M repaid this loan within 14 days and didn't incur interest or any other charges. I also note that no adverse information was recorded on Mr M's credit file so I won't consider this matter further.

loan 3

Although Mr M didn't proceed with loan 2, he took out this loan just 16 days after paying back loan 2.

The evidence from the credit check carried out for this loan, showed that Mr M had two loans, three credit cards, with balances respectively of £1,257, 768 and 55. The first two were close to their limit. He had a mail order debt that was substantially in arrears and over limit, and had been since loan 1. Since taking out loan 1 Mr M had taken out seven short term loans, including one that didn't appear on the loan 1 credit check as it had been taken out 20 days before it (and hadn't been declared by Mr M in the loan 1 application). Although that loan had been settled there had been arrears of payments, and in respect of another loan (again settled) an arrangement to pay. His bank account was overdrawn, although the check showed he'd been up to date with his payments.

The affordability assessment shows that Mr M's then current credit commitments, taking into account credit card repayments, to be about 24% of his income. In my view Loans 2 Go had carried out reasonable and proportionate checks. But those checks should have flagged concerns about whether the loan was sustainable given Mr M's continued dependence on short term loans, his conduct of loan 1 and of other credit. I think this should have prompted Loans 2 Go to carry out more checks. So I think that Loans 2 Go didn't make a fair lending decision here.

loan 4

This loan was taken out in October 2020, ten months after loan 3. Although Mr M had taken out short term loans since loan 3 the latest one was in December 2019, and paid off. He had taken out a loan in April 2020 the payments for which formed the bulk of his credit commitments (£87 per week equivalent to £377 per month), with only £257 outstanding. Even taking that into account Mr M's credit commitments had gone down to about 19% of his

income.

Mr M hasn't been able to show us his bank statements so I don't know if they would have shown any problems he would have had affording this loan. But in my view the checks carried out were reasonable and proportionate. The checks appear to show Mr M getting on top of his debt problems, and didn't in my view flag any need to do further checks. I think Loans 2 Go made a fair lending decision in respect of this loan."

As neither party has made any comments on these findings, they are now final and form part of this final decision.

Putting things right

Loans 2 Go should:

- Add up the total amount of money Mr M received as a result of being given loan 1 and loan 3.
- Deduct all repayments Mr M made from this amount.
- If reworking Mr M's loan accounts results in him having effectively made payments above the original capital borrowed, then Loans 2 Go should refund these overpayments with 8% simple interest* calculated on the overpayments, from the dates the overpayments would have arisen, to the date of settlement.
- Remove any adverse information recorded on Mr M's credit file in relation to loans 1 and 3.

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

My final decision

I uphold the complaint and require Loans 2 Go Limited to provide the remedy set out under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 20 April 2022.

Ray Lawley
Ombudsman