

The complaint

Mr M complains that Loans 2 Go Limited lent to him irresponsibly.

What happened

Mr M was approved for a loan on 4 June 2021 of £250 repayable at just over £13 a week for 78 weeks which is about 18 months. The total amount payable was around £1,028.

Notes from Loans 2 Go show that Mr M got an Early Settlement balance on 5 June 2021 – very soon after the loan funds were transferred to him and it was going to be about £301 to repay early. And on 11 June Mr M cancelled the loan and knew he had 30 days in which to repay it. It's not clear to us why Mr M did not repay it.

In the meantime, Mr M received numerous texts and communications about missing his £13 repayments. And in July 2021 Mr M set up a 12 week repayment plan at £5 a week.

Mr M complained to Loans 2 Go and received a response from it dated 10 August 2021 in which it did not accept it had lent irresponsibly, but it offered to reduce his interest by 30%. Loans 2 Go said:

*'Amount of Credit: £250.00
Total Amount Payable: £1,028.82
Total Amount Paid: £10.00 Current Balance: £1,018.82
Proposed Write Off Amount: £233.64 (30% of Total Interest)
Proposed New Balance: £785.18'*

Mr M had already referred his complaint to the Financial Ombudsman Service. So, he did not accept that offer. One of our adjudicators looked at the complaint and thought that the credit search information Loans 2 Go had obtained before it approved the £250 loan for Mr M was a concern and it ought to have interpreted the information it saw there in such a way that Loans 2 Go realised that Mr M was in financial trouble.

The unresolved complaint was passed to me to decide. I issued a provisional decision on 14 March 2022 in which I gave reasons as to why I was planning not to uphold Mr M's complaint. I gave time for both parties to respond. We have not heard from Loans 2 Go.

Mr M has responded to say he is disappointed and does not think he'll be able to repay the amount he owes Loans 2 Go.

I am issuing my final determination in the same terms as my 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.

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reasonable in the circumstances of this complaint. We've set out our general approach to complaints about unaffordable/irresponsible lending - including all the relevant rules, guidance and good industry practice - on our website.

Taking into account the relevant rules, guidance and good industry practice, what I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are whether Loans 2 Go completed reasonable and proportionate checks to satisfy itself that Mr M would be able to repay in a sustainable way? And, if not, would those checks have shown that Mr M would've been able to do so?

If I determine that Loans 2 Go did not act fairly and reasonably in its dealings with Mr M and that he has lost out as a result, I will go on to consider what is fair compensation.

The rules and regulations in place required Loans 2 Go to carry out a reasonable and proportionate assessment of Mr M's ability to make the repayments under this agreement. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower" focused – so Loans 2 Go had to think about whether repaying the loan would be sustainable and/or cause significant adverse consequences for Mr M. In practice this meant that Loans 2 Go had to ensure that making the payments to the loan wouldn't cause Mr M undue difficulty or significant adverse consequences.

In other words, it wasn't enough for Loans 2 Go to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mr M.

Checks also had to be "proportionate" to the specific circumstances of the loan application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the lower a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the greater the number and frequency of loans, and the longer the period during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully reconsidered all the arguments, evidence and information provided in this context and what this all means for Mr M's complaint. And I have come to the decision Loans 2 Go did not lend irresponsibly, but it should honour the offer it made in its FRL dated August last year.

Our adjudicator's view was that the credit file showed Mr M was struggling to repay his existing debt and was relying on taking further borrowing to maintain the repayment on these accounts. His credit file showed that he was in a continuous chain of borrowing in the months between January and June 2021.

I do not agree. I've reviewed the information Loans 2 Go had about Mr M, including the fact

that it had verified his income as around £1,380 a month as he had declared. It also increased his declared expenditure figure (£420) to about £700 and then added on a 10% additional sum to allow for a margin of error. That still left Mr M's repayments of £13 a week affordable.

Our adjudicator also said that it would *not* be proportionate for Loans 2 Go to have asked to view Mr M's bank statements and so although Mr M has described to us (and demonstrated through copy bank statements) that he did seem to have a gambling issue, our adjudicator had said as part of her view that it was not something Loans 2 Go would have seen.

I agree with this part. It would have been disproportionate for Loans 2 Go, having obtained the information it had obtained about Mr M, to then go further and ask to review any of his bank statements. So, it was not likely to have seen that Mr M spent a lot of money on gambling, and therefore I do not think it would have known, or ought to have known, unless Mr M had told it. And I doubt that Mr M would have, or did tell, Loans 2 Go about the gambling because he had applied to it for a loan.

I've concluded that Loans 2 Go did carry out proportionate checks taking into consideration all the circumstances including the low value of the loan and the period over which the loan was to be repaid. The credit file does show an increase in debt but I accept what Loans 2 Go has submitted to us that the credit accounts were not poorly managed. And on the declared incomes and expenditure figures Loans 2 Go used (including the increased expenditure figure it used to build in a margin) then the £13 a week was affordable in my view.

I do not to uphold this complaint.

I endorse the offer Loans 2 Go made in its FRL in August 2021. I remind Loans 2 Go that it must approach Mr M in relation to this debt in a positive and sympathetic way.

My final decision

My final decision is that I do not uphold Mr M's complaint and Loans 2 Go Limited needs to do as it said it would do in its final response letter from August 2021.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 28 April 2022.

Rachael Williams
Ombudsman