

The complaint

Mr B complains about two personal loans provided to him by Loans 2 Go limited, ("L2G") which he says were unaffordable.

What happened

L2G provided Mr B with two loans. The details are given below:

| Number | Date taken | amount | term | Monthly repayment | Repaid |
|--------|------------|--------|------|-------------------|-------------|
| 1 | 15/10/2020 | £700 | 18 | £159.99 | 23/12/20 |
| 2 | 04/01/2021 | £1000 | 18 | £228.56 | Outstanding |

I issued two provisional decisions on this complaint. The first was in February 2022 and then a second in March 2022. Both parties have received copies of the provisional decisions, but for completeness I include an extract from the two decisions below.

Provisional Decision from February 2022:

"As set out above, L2G gathered some information from Mr B about his income and expenses before it agreed the loan. It also carried out a credit check.

As I've already mentioned, I've seen how L2G asked about Mr B's financial circumstances by checking his credit file and verifying his income. But I'm not satisfied that the checks it carried out for either loan went far enough. I say that because:

For Loan 1

- The loan was over a term of 18 months and L2G needed to ensure the repayments were sustainable over that relatively long period of time;*
- L2G's analysis showed discrepancies between its checks and Mr B's declared income and credit expenditure;*
- Mr B had recently taken out two short term loans and these were still outstanding. He had several credit cards showing on his credit report and the balances were quite high.*

For Loan 2

- Again the loan term was quite long over 18 months and this was Mr B's second loan with L2G.*
- L2G's analysis again showed discrepancies between what Mr B had declared and its checks.*

- The discrepancy between Mr B's declared expenditure (£850) and what it had calculated it to be (around £1393) was significantly wide. There was a difference of £543 in what Mr B had declared and what it found out.

For the above reasons, I consider L2G's checks should have included a full review of Mr B's financial circumstances, including further verification of his income and expenditure so it could ensure that the loan repayments were affordable for loans 1 and 2.

I need to think about what L2G would have seen if it had carried out proportionate checks. Our investigator asked Mr B for further information on 7 July 2021 including to provide his bank statements from around the time he applied for each loan. I'm not suggesting here that this is the check that L2G should have done. But I think looking at his bank statements would give me the best picture of what the lender should have seen.

Mr B has not been able to provide our service with bank statements from before and around when he took out the loans though. So, I haven't been able to see what L2G would have most likely seen if it had carried out further checks. So, because of this, I am unable to safely conclude that Mr B was given loans that were unaffordable for him.

Finally, I have been able to see the results of the credit check L2G carried out for both loans, and although I can see two outstanding payday loans with other lenders and that Mr B had utilised most of the credit available to him, I haven't seen enough that would indicate that the amount of debt he had, or how he was managing it, should have led it to decline the loan on either occasion.

So, for the reasons set out above, I am currently minded to not uphold Mr B's complaint."

Provisional Decision from March 2022:

"I drew the conclusion in my first provisional decision, that L2G hadn't carried out proportionate checks when it agreed to either loan. I said this because in both instances, I could see that the amount of expenditure that L2G assessed Mr B to have was significantly different from the amount he declared. I felt that L2G should have been looking to verify Mr B's expenditure when he applied for both loans, to assure itself that he could make the loan repayments in a sustainable way.

So, I needed to go on to see what, on balance, L2G would have seen if it had carried out further checks. Initially, when our service asked Mr B for copies of his bank statements, he wasn't able to provide them. So, I concluded that I was unable to safely conclude that Mr B was given loans that were unaffordable for him. This is because I was unable to see what L2G more likely would have seen if it had carried out further checks.

Mr B has now submitted bank statements to our service. These are from several weeks before each loan was granted and gives me a good idea as to what would have most likely been uncovered. I have now looked through all of the bank statements. In doing this, I can see that Mr B was gambling frequently and heavily using short term credit through-out the period of time that the bank statements covered. In the 3 months leading up to the first loan application for example, Mr B had gambled £925 for July 2020, £470 for August 2020 and £485 in September 2020. In the same 3 months he received in short term loans £2430 in July 2020, £760 in August 2020 and £885 in September 2020. It is clear to me when I see this and the statements in general that Mr B was taking short term loans to repay his existing credit commitments and cover a gap in his finances. On

balance, I don't think Mr B wouldn't have been able to sustainably repay either loan without taking out further credit. I think if L2G had carried out further checks, it would've seen this and wouldn't have agreed to lend to him on either occasion. So, for this reason, I currently uphold Mr B's complaint about loans 1 and 2."

I asked both parties to let me have any comments, or additional evidence, in response to my second provisional decision issued in March 2022. Mr B responded. He said he accepted the decision and had no further comments to make. L2G responded and said there was nothing to indicate Mr B was facing financial detriment or that would suggest further checks would be necessary. It also added that Mr B was asked if he was suffering from gambling and he said he was not. It says it agrees with my findings for loan 1 but not for loan 2.

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.

L2G says it is under no obligation to carry out a credit check but when it did in Mr B's case, there was nothing that would suggest he was having any problems or that further checks would be necessary. I drew a conclusion in both of my provisional decisions that L2G didn't carry out proportionate checks. This is because Mr B's disclosed expenditure was significantly different from the amount that it assessed. I concluded that due to the term of the loan, on seeing this, it ought to have wanted to verify Mr B's actual expenditure to understand whether he could afford the repayments in a sustainable way.

I acknowledge L2G's point that it asked Mr B whether he was suffering from gambling at the time of application. But that doesn't change the outcome. This is because, if L2G had carried out further checks, on balance, it would have seen for both loans, that Mr B was gambling heavily and covering a shortfall in his finances by using multiple short-term loans. He did this leading up to asking for both loans. I think if it had seen this it wouldn't have agreed to either loan.

With that being the case, I uphold Mr B's complaint.

Putting things right

In line with this Service's approach, Mr B shouldn't repay more than the capital amount he borrowed for the loan. Mr B has an amount left to repay on the loan. With this in mind, L2G should:

- add up the total amount of money Mr B received as a result of being given the loans. The payments Mr B made should be deducted from this amount. Any payments made after the total repaid exceeds the amount Mr B was given should be treated as overpayments and refunded to him;
- add interest at 8% per year simple on any overpayments from the date they were paid by Mr B to the date of settlement†;
- If there is still a balance that needs to be repaid, L2G should treat Mr B fairly and arrange a payment plan that is affordable for him.

- remove any adverse information placed on Mr B's credit file because of the loans;

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

My final decision

My final decision is that I uphold Mr B's complaint and direct Loans 2 Go Limited to put things right as I have described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 5 May 2022.

Mark Richardson
Ombudsman