

The complaint

Mr R complains about two loans provided to him by Loans 2 Go Limited trading as “Loans 2 Go”, which he says were unaffordable.

What happened

Loans 2 Go provided Mr R with two loans. The details of which are given in this table:

Number	Taken	Instalment	Amount	Instalments
1	February 2019	68.57	300.00	18 months
2	December 2019	170.38	745.48	18 months

Loan 2 was a ‘top up’, in that some of that loan was used to repay the balance of Loan 1. Loan 2 still has an outstanding balance to repay.

Mr R says he feels that Loans 2 Go have irresponsibly lent the money to him on each occasion.

I issued a provisional decision on this complaint in March 2022. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

“Did L2G carry out proportionate checks for loans 1-2?

I can see that on each occasion, Loans 2 Go asked Mr R about his income and expenditure. It has told our service that it adjusted Mr R’s income and expenditure based on an online verification tool for his income, and its own calculations using what it had in front of it for expenditure. It says it made its calculations about Mr R’s expenditure by using what it saw in his credit report on each occasion and also added a buffer of 10% for any unexpected spend.

For loan 1, It reduced Mr R’s declared income from £1499 a month to £1473.80 after verifying this. It then increased what Mr R says his expenditure was of £680, to £1255.23, based on checks it carried out this included a credit search. It then added a 10% buffer for any fluctuations in spend for Mr R.

I’ve carefully considered what Loans 2 Go has said about how it calculated Mr R’s disposable income when it agreed to loan 1. I don’t think its checks were proportionate for this loan because there was a discrepancy between what Mr R said in particular about his expenditure and what it says it could see through its checks. I don’t think Loans 2 Go should have accepted the loan knowing or having reason to suspect Mr R wasn’t being accurate about his expenditure in this case. In this instance the discrepancy between what Mr R said his expenditure was and what Loans 2 Go calculated it was, was quite wide. So, I think Loans 2 Go should either have carried out further checks to see if there were good reasons for this, or its shouldn’t have provided Mr R with the loan. This leads me to think that Loans 2 Go needed to take additional steps to verify what Mr R’s actual monthly expenditure was.

As I can't see that this Loans 2 Go did do this, I don't think that the checks it carried out before providing Mr R with loan 1 was reasonable and proportionate, bearing in mind Mr R would need to meet his loan repayments over 18 months.

I can see that it was a similar outcome when Loans 2 Go considered Mr R's application for loans 2 also. The expenditure amount that Mr R declared for loan 2 was £630 and Loans 2 Go revised his expenditure to £986.26. Again, there is quite a discrepancy between what Mr R said his expenditure was and what Loans 2 Go calculated it to be after it used a credit search. I think again it should have carried out further checks at this point to find out more about Mr R's expenditure and carry out a complete review of his finances for much the same reasons I have given for why it should have done this for loan 1.

So, as I have concluded that Loans 2 Go needed to carry out further checks for both loans, I need to consider what it would have seen if it had done so. What would reasonable and proportionate checks have shown for loans 1-2?

As reasonable and proportionate checks weren't carried out before loan 1 and 2 were provided, I can't say for sure what they would've shown. So, I need to decide whether it is more likely than not that a proportionate check would have told Loans 2 Go that Mr R would have been unable to sustainably repay his loans.

Loans 2 Go was required to establish whether Mr R could make his loan repayments without experiencing significant adverse consequences – not just whether the loan payments were technically affordable on a strict pounds and pence calculation.

I've carefully considered the information provided including reviewing bank statements that Mr R has provided for the months leading up to his applications for the loans. Mr R has provided bank statements for November to January 2019 and also September to November 2019. Having looked through these, it's clear Mr R was gambling significant amounts of money at the time he asked for both loans and he was relying on short term lending to cover a shortfall in his finances. For the months leading up to loan 1 being granted for example, Mr R had spent £315 in November 2018, £635 in December 2018 and £875 in January 2019. He borrowed £1144, £1232 and £998 in short term loans in November 2018, December 2018 and January 2019 respectively leading up to him asking for this loan. He made a total of 33 transactions to short term loan providers in only 3 months. This level of usage in short term lending did not improve by the time he asked for loan 2 and neither did his gambling expenditure.

In these circumstances, it is apparent to me that Mr R was unlikely to have been able to repay the two loans without borrowing further or experiencing financial difficulty. It is clear from what I have seen that Mr R was spending significant sums of money on gambling and was having problems managing his finances. And this was the case leading up to him asking for loans 1 and 2.

Bearing all of this in mind, I'm satisfied that reasonable and proportionate checks would more likely than not have shown Loans 2 Go that Mr R would not have been able to sustainably repay these loans. So, I'm satisfied that L2G's failure to carry out proportionate checks resulted in it unfairly providing these two loans to Mr R.

So, I think Loans 2 Go needs to put things right with loans 1-2 for the reasons given above."

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Mr R and L2G have responded and both have no further comments to make.

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.

As neither party has anything further to add that I feel I need to comment on or that will change the outcome of this complaint, I don't see any reason to depart from my findings within my provisional decision. With that being the case, I uphold Mr R's complaint.

Putting things right

In line with this Service's approach, Mr R shouldn't repay more than the capital amount he borrowed for each loan. With this in mind, Loans 2 Go should:

- add up the total amount of money Mr R received as a result of being given loans 1-2. The payments Mr R made should be deducted from this amount. Any payments made after the total repaid exceeds the amount Mr R 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 R to the date of settlement†;
- remove any adverse information placed on Mr R's credit file because of loans 1-2;

*HM Revenue & Customs requires Loans 2 Go to take off tax from this interest. Loans 2 Go must give Mr R 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 R's complaint and direct Loans to Go Limited to put things right as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 14 May 2022.

Mark Richardson
Ombudsman