

The complaint

Ms B says Loans 2 Go Limited lent to her irresponsibly.

What happened

Ms B took out an 18-month instalment loan for £1,000 on 7 November 2020. The monthly repayments were £228.56 and the total repayable was £4,114.08. I understand there is an outstanding balance.

Ms B says she was struggling financially when the loan was given. She missed repayments and had to borrow money to make repayments.

Our adjudicator said Ms B's complaint should be upheld. She said the lender's checks were not proportionate as there were signs Ms B was having problems managing her money and so it was unfair to lend to her.

Loans 2 Go disagreed. It said its checks showed Ms B was managing her credit well and there was no adverse data recorded against her active accounts. She was within her limits on all accounts and this new loan still left her with disposable income.

As no agreement was reached the complaint was passed to me to make a decision. I reached the same conclusion as the adjudicator, but I relied on different evidence and findings. So I issued a provisional decision to give everyone a chance to comment. An extract follows and forms part of this final decision. I asked both parties to send any comments or new information by 27 April 2022.

An extract from my provisional decision

I can see Loans 2 Go asked for some information from Ms B before it approved the loan. It asked for her monthly income and expenditure. It slightly reduced her declared income after a third-party income verification check. It increased her declared expenditure based on national statistics and the credit commitments it could see from its credit check. It also reviewed her credit history. From these checks combined Loans 2 Go concluded Ms B would have £180.01 disposable income after taking on this loan and so it was affordable. I think these checks were proportionate given the size and term of the loan and its repayments, but I don't think Loans 2 Go made a fair lending decision based on the information it gathered. I'll explain why.

Loans 2 Go saw that Ms B had £20,144 of debt outstanding when she applied for this loan. £6,511 was on credit cards and whilst she wasn't over limit, her use of available credit had increased significantly in the last 6 months (from 58% utilisation to 82%). In order to make just the minimum contractual repayment on her credit cards and to repay a hire purchase agreement she had recently taken out Ms B needed to spend £410.33 each month. By giving this loan Loans 2 Go increased the proportion of her income Ms B would need to use to service her debt to over 35%. This is significant and I think Loans 2 Go ought to have realised that at this level there was a risk the loan repayments would become unsustainable for Ms B at some point during its 18-month term. And it needed to consider this, not just the

pounds and pence affordability, to meet its regulatory commitments.

It knew from the credit check that Ms B had historically struggled to stay on top of her finances, defaulting on two accounts, having an arrangement to pay in place on a third, and being in long-term arrears on a fourth. To be clear I am not saying this historic adverse data alone was a reason not to lend, but in circumstances such as these where the loan repayment meant the monthly spend on credit rose to over a third of net income, it ought to have concerned the lender. I note Ms B went on to have problems making her repayments only two months into the term of the loan.

It follows I find Loans 2 Go was wrong to give the loan to Ms B.

I haven't seen any evidence Loans 2 Go acted unfairly or unreasonably towards Ms B in some other way.

I then set out what Loans 2 Go would need to do to put things right if I upheld the complaint.

Neither party 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.

Our approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

As neither party submitted any new evidence it follows I have no reason to change the findings or outcome I set out in my provisional decision.

For the reasons set out above I find Loans 2 Go was wrong to lend to Ms B.

Putting things right

I think it's fair and reasonable for Ms B to repay the capital that she borrowed, because she had the benefit of that money. But she has paid interest and charges on a loan that shouldn't have been provided to her.

So Loans 2 Go should:

- Refund all interest, fees and charges from the loan and treat all the payments Ms B made as payments towards the capital.
- If reworking Ms B's loan account results in her 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 date the overpayments would have arisen, to the date of settlement*.
- If reworking Ms B's loan account results in an outstanding capital balance Loans 2 Go must try to agree an affordable repayment plan with Ms B.
- Remove any adverse information recorded on Ms B's credit file in relation to the loan.

*HM Revenue & Customs requires Loans 2 Go to deduct tax from this interest. Loans 2 Go should give Ms B a certificate showing how much tax it's deducted, if she asks for one.

My final decision

I am upholding Ms B's complaint. Loans 2 Go Limited must put things right as set out above,

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 26 May 2022.

Rebecca Connelley
Ombudsman