

## **Complaint**

Miss K has complained about a loan Loans 2 Go Limited ("L2G") provided to her. She says the loan was unaffordable.

## **Background**

L2G provided Miss K with a loan for £300.00 in March 2020. This loan had an APR of 1,013.3% and was due to be repaid in 18 monthly instalments of £68.57

One of our adjudicators reviewed Miss K's complaint and she thought L2G hadn't done anything wrong or treated Miss K unfairly. So she didn't think that Miss K's complaint should be upheld. Miss K disagreed so the case was passed to an ombudsman.

## **My provisional decision of 14 April 2022**

I issued a provisional decision – on 14 April 2022 - setting out why I intended to uphold Miss K's complaint. I won't copy that decision in full, but I will instead provide a summary of my findings.

I started by saying that we've explained how we handle complaints about unaffordable and irresponsible lending on our website. And that I had used this approach to help me decide Miss K's complaint.

I went on to explain that L2G needed to make sure it didn't lend irresponsibly. In practice, what this meant was that L2G needed to carry out proportionate checks to be able to understand whether Miss K could afford to repay any credit it provided. Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

I explained that L2G may have argued that the relatively low monthly payments for this loan meant that a light touch assessment would have been proportionate in this case. But I was mindful that it didn't accept Miss K's declaration of having no monthly expenditure, as it thought this was implausible. Furthermore, the credit check it carried out showed Miss K had a number of existing defaults as well as a history of taking out payday loans.

So I was persuaded by what Miss K had said about already being in a difficult financial position at the time. And while I accepted it was possible Miss K's credit file reflected her choices rather than her being in financial difficulty, I explained that my experience of these types of cases suggest this was unlikely, I was satisfied that further checks would more like

than not have shown that Miss K wouldn't have been able to repay this loan without experiencing undue difficulty or borrowing further.

This left me satisfied that reasonable and proportionate checks would more like than not have shown L2G that it shouldn't have provided this loan to Miss K. And as L2G provided Miss K with this loan, notwithstanding this, I was minded to conclude that it failed to act fairly and reasonably towards her.

As Miss K ended up paying interest, fees and charges on a loan she shouldn't have been provided with, I set out my intention to issue a final decision which found that Miss K lost out because of what L2G did wrong and that it needed to put things right.

### **Responses to my provisional decision**

L2G confirmed receiving my provisional decision and said that it had nothing further to provide ahead of my final decision.

Miss K didn't provide anything further for me to think about.

### **My findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I set out in some detail why I intended to uphold Miss K's complaint. And as neither party has provided any further arguments, I've not been persuaded to alter my conclusions. So I'm still upholding Miss K's complaint. And I remain satisfied that L2G needs to put things right for Miss K.

### **Fair compensation – what L2G needs to do to put things right for Miss K**

Having thought about everything, I think that L2G should put things right for Miss K by:

- removing all interest, fees and charges applied to the loan from the outset. The payments Miss K made, whether to L2G or any third-party debt purchaser, should be deducted from the new starting balance – the £300 originally lent. If Miss K has already repaid more than £300 then L2G should treat any extra as overpayments. And any overpayments should be refunded to Miss K;
- adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Miss K to the date of settlement†
- if no outstanding balance remains after all adjustments have been made, all adverse information L2G recorded about this loan should be removed from Miss K's credit file.

† HM Revenue & Customs requires L2G to take off tax from this interest. L2G must give Miss K a certificate showing how much tax it has taken off if she asks for one.

I'd also remind L2G of its obligation to exercise forbearance and due consideration if it intends to collect on an outstanding balance, should it buy the debt back from any third-party debt purchaser and one remains, after all adjustments have been made to the account and it's the case that Miss K is experiencing financial difficulty.

**My final decision**

For the reasons I've explained, I'm upholding Miss K's complaint. Loans 2 Go Limited should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 2 June 2022.

Jeshen Narayanan  
**Ombudsman**