

## **The complaint**

Miss R complains Loans 2 Go Limited irresponsibly lent to her.

## **What happened**

Loans 2 Go approved Miss R for a £1,000 loan in December 2019. The term of the loan was 18 months with monthly repayments of approximately £230 per month.

Miss R says Loans 2 Go irresponsibly lent to her; as it did not complete reasonable and proportionate checks at the time the loan was applied for. Miss R says she was struggling financially at this time, as well as suffering from mental health issues; and Loans 2 Go ought've realised the loan was unaffordable to her. Miss R says she has lost out financially as a result of Loans 2 Go's actions, as she has had to pay additional interest and charges.

Our investigator recommended the complaint be upheld. She argued the checks which Loans 2 Go completed were not proportionate. This was because Miss R had a significant outstanding debt at the time of the application, and had some negative markers in the recent past. As Loans 2 Go hadn't completed proportionate checks, our investigator considered what further checks would've shown. Miss R had provided our service with bank statements; and our investigator argued these showed that Miss R's finances were such that further lending was not sustainable. As such, Loans 2 Go's decision to lend was unfair.

Loans 2 Go disagreed with the assessment. It maintained it had lent responsibly to Miss R. It maintained it had completed proportionate checks, and these had demonstrated the loan was likely affordable to Miss R.

## **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.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. I've used this approach to help me decide this complaint.

Loans 2 Go needed to take reasonable steps to ensure it responsibly lent to Miss R. The relevant rules, regulations and guidance at the time Loans 2 Go lent required it to carry out reasonable and proportionate checks. These checks needed to assess Miss R's ability to afford the loan and repay it sustainably over its term without causing her financial difficulties.

There isn't a set list of checks a lender needs to carry out, but they should be proportionate, taking into account things like the type, amount, duration and total cost of the credit, as well as the borrower's circumstances.

And it isn't sufficient for Loans 2 Go to just complete proportionate checks – it must also consider the information it obtained from these checks to make a fair lending decision. This

includes not lending to someone in financial hardship; and ensuring repayments can be made sustainably without having to borrow further.

Loans 2 Go says it completed proportionate checks. It says this is because it completed an income and expenditure assessment, as well as checking Miss R's credit file and using an online tool to verify her income. It says these checks gave it enough insight into her finances to understand whether any lending would be appropriate.

Having considered Loans 2 Go's arguments, I disagree it completed proportionate checks in this instance. I'm satisfied that the checks that Loans 2 Go completed demonstrated that there were some potential markers with Miss R's information, which ought've prompted Loans 2 Go to ask further information in order for the checks to be considered proportionate.

Notably Miss R's credit file showed that she had a significant level of outstanding debt, and had issues managing her credit in the past. The outstanding debt was over £10,000 at the point of the application. Her existing credit commitments showed some signs of distress too; for example, she had exceeded her existing credit card limit; and had two months of arrears on it. The credit report also suggested that she was reliant on her overdraft and had exceeded this arranged limit too (albeit by a small amount). There was a new credit card which had recently been taken out suggesting that again Miss R was reliant on other forms of credit to supplement her income. There were other signs of potential financial issues as Miss R had a default applied at the beginning of 2019, as well as having settled a utility in the early part of 2019 which had three months of arrears on it.

In addition to this the online verification tool that Loans 2 Go had used demonstrated that Miss R's declared income was actually lower than the amount stated. The expenses which had been completed relying on average statistics don't appear to be reasonable in the context of the above information.

So, considering the above, I'm satisfied there were sufficient markers to suggest that Loans 2 Go ought've completed further checks, such as verifying Miss R's outgoings, in order for it have completed proportionate checks. As it didn't do this, I'm satisfied that the checks Loans 2 Go completed were not proportionate in this instance.

As Loans 2 Go didn't complete proportionate checks, I have to consider what further information would've likely shown. Miss R has provided our service with copies of her bank statements in the lead up to the application of this loan (these are the same statements that Miss R provided Loans 2 Go as part of its complaints process). In the absence of other information, I've relied on these statements to help decide what I think further checks would've likely shown at the point of her applying for the loan.

These statements demonstrate that Miss R's finances were not managed to a sustainable standard. They demonstrate the income was lower than that used by Loans 2 Go during the application; and that Miss R was using credit to help supplement her income. The statements suggest that Miss R was managing her finances to a negative budget and her outgoings were higher than those used in the application; demonstrated with her entering further into her overdraft as time moves on. There are entries from other credit providers suggesting Miss R was reliant on revolving credit to manage her finances.

Miss R has explained she was struggling financially at that time and the statements support this. Whilst there is a one-off payment from her late father's life insurance policy; the overall picture of her finances is negative. It is clear she is having to borrow from other credit providers and family friends in order to maintain her balance. I'm satisfied that without the supplementary income made up from other credit providers and borrowing from family and friends that Miss R's finances would've continued to worsen.

The statements corroborate the information suggested in the credit file; and suggest that Miss R was someone who was in financial difficulties. As Loans 2 Go is aware it needs to ensure that any lending it provides needs to be sustainable. This includes lending to people who are experiencing financial hardship. I'm satisfied the information provided demonstrates that Miss R's finances were such that any further lending was not sustainable to her. I'm also satisfied that had Loans 2 Go completed proportionate checks in the first instance that it would've seen this too. As further lending was unlikely sustainable to Miss R, I'm satisfied that Loans 2 Go made an unfair decision to lend to her.

### **Putting things right**

Miss R has lost out financially as a result of Loans 2 Go's actions. She has had to pay additional interest and charges. As such Loans 2 Go needs to put things right.

In order to put things right, I require Loans 2 Go Limited to:

- Add up the total amount of money Miss R received as a result of having been given this loan. The repayments Miss R made should be deducted from this amount; as well as any charges or fees associated with this loan.
  - a) If this results in Miss R having paid more than she received, then any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). †
  - b) If any capital balance remains outstanding, then Loans 2 Go Limited should attempt to arrange an affordable/suitable payment plan with Miss R.
- After all adjustments have been made and once there is no outstanding balance, Loans 2 Go Limited need to remove any negative information recorded on Miss R's credit file.

† HM Revenue & Customs requires Loans 2 Go Limited to take off tax from this interest. Loans 2 Go Limited must give Miss R a certificate showing how much tax it's taken off if she asks for one.

### **My final decision**

My final decision is that I uphold this complaint against Loans 2 Go Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 3 June 2022.

Tom Whittington  
**Ombudsman**