

The complaint

Mr S complains about a loan provided to him by Loans 2 Go Limited trading as “Loans 2 Go”, which he says was unaffordable.

What happened

Loans 2 Go provided Mr S with a loan. The details of which are given in this table:

Taken	Instalment	Amount	Instalments	Total to repay
30/09/2018	56.64	250	18 months	1019.52

I issued a provisional decision on this complaint in January 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?”

I can see that Loans 2 Go asked Mr S about his income and expenditure. It has told our service that it adjusted Mr S’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 S’s expenditure by using what it saw in his credit report, what he told it and also added a buffer of 10% for any unexpected spend.

It reduced Mr S’s declared income from £1110 a month to £1024.47 after verifying this. It then increased what Mr S says his expenditure was of £450, to £856.73, based on checks it carried out this included a credit search.

I’ve carefully considered what Loans 2 Go has said about how it calculated Mr S’s disposable income when it agreed to the loan. I acknowledge the comments it has made, but I don’t think its checks were proportionate for this loan. This is because I can see there was a discrepancy between what Mr S said 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 S wasn’t being truthful about his expenditure in this case. In this instance the discrepancy between what Mr S said his expenditure was and what Loans 2 Go calculated it was, was wide. So, I think Loans 2 Go should either have carried out further checks to see if there were good reasons for this, or it shouldn’t have provided Mr S with the loan. This leads me to think that Loans 2 Go needed to take additional steps to verify what Mr S’s actual monthly expenditure was.

In addition to this, Loan 2 Go’s credit search results for Mr S showed credit impairment. He had an outstanding balance to repay on a County Court Judgement. He also had 4 defaulted accounts with balances yet to be settled. In addition to this, he had a further 2 accounts showing where he was in arrears. So, I think this ought to have, at the very least, further prompted Loans 2 Go to want to get a better understanding of Mr S’s finances at the time to ensure he would be able to make the loan repayments in a sustainable way.

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

As reasonable and proportionate checks weren't carried out before this loan was 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 S would have been unable to sustainably repay this loan.

Loans 2 Go was required to establish whether Mr S 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 by Mr S. This has included on this occasion, Mr S providing an up to date credit report. Having looked through this report, it's clear to me that Mr S was reliant on using finance to cover a short fall in his finances including taking loans by other short-term lenders. Mr S was paying off 2 open short-term loans with other finance providers. He had taken a short-term loan in July 2018 and then another in August 2018. In addition, Mr S had taken out a third short term loan in March 2018 and defaulted on this account only 2 weeks before he applied to Loans 2 Go for this loan. These 3 loans all did not appear in the credit search that it carried out. This means that not only does it show that Mr S was having problems managing his finances, but it also would mean that he would have been paying out more in expenditure than he was receiving in income each month. So, on balance, I think Mr S was struggling to manage his finances and it's more likely to me that the loan repayments for this loan from Loans 2 Go wouldn't have been sustainable.

Bearing all of this in mind, I'm currently minded to conclude that reasonable and proportionate checks would more likely than not have shown Loans 2 Go that Mr S would not have been able to sustainably repay this loan. So, it follows that I currently think that Loans 2 Go's failure to carry out proportionate checks resulted in it unfairly providing this loan to Mr S.

So, I think Loans 2 Go needs to put things right with the loan 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 S responded but had no further comments. L2G did not respond.

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.

Mr S has not made any new points for me to respond to and L2G has not responded. So, 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 S's complaint.

Putting things right

In line with this Service's approach, Mr S shouldn't repay more than the capital amount he borrowed for the loan. I am aware that Loans 2 Go has sold on this loan to a third party. With this in mind, Loans 2 Go should look to buy back the debt if it can or work with the third party to do the following:

- add up the total amount of money Mr S received as a result of being given the loan. The payments Mr S made should be deducted from this amount. Any payments made after the total repaid exceeds the amount Mr S 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 S to the date of settlement†;
- If there is a balance outstanding, Loans 2 Go should look to agree an affordable repayment plan.
- remove any adverse information placed on Mr S's credit file because of the loan;

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 June 2022.

Mark Richardson
Ombudsman