

The complaint

Mr P complained that Loans 2 Go Limited acted irresponsibly when it gave him unaffordable loans.

What happened

Mr P took out five loans with Loans 2 Go as follows:

	Date taken	Loan amount	Term	Monthly repayment	Total amount payable	Date loan repaid
Loan 1	4.12.19	£1,000	18 months	£228.56	£4,114.08	3.7.20
Loan 2	7.7.20	£300	18 months	£68.57	£1,234.26	12.7.20
Loan 3	28.9.20	£300	18 months	£68.57	£1,234.26	31.12.20
Loan 4	15.4.21	£400	18 months	£91.42	£1,645.56	24.7.21
Loan 5	18.10.21	£250	18 months	£51.39	£925.02	24.10.21

Mr P has brought his complaint to us through his representative, but to keep things simpler, I'll just refer to Mr P.

Our adjudicator assessed the complaint and he didn't think that Loans 2 Go should've provided loans 2,3,4 or 5. He set out his findings in a letter explaining how he'd come to his view.

Loans 2 Go disagreed. In summary, it said that Mr P's credit files didn't suggest he was facing financial detriment when these loans were provided. And it didn't agree that his pattern of lending suggested he wasn't using the loans as intended as he was entitled to opt for early settlement if he chose not to let the loans run for the full term – which mightn't have been an option if he'd taken out payday loans.

The complaint came to me to decide. I issued a provisional decision.

What I said in my provisional decision

Here are some of the main things I said.

"Before agreeing to lend, lenders must work out if a borrower can afford the loan repayments alongside other reasonable expenses the borrower also has to pay. This should include more than just checking that the loan payments look affordable on a strict pounds and pence calculation. A lender must take reasonable steps to satisfy itself that the borrower can sustainably repay the loan – in other words, without needing to borrow elsewhere."

The rules don't say what a lender should look at before agreeing to lend. But reasonable and proportionate checks should be carried out. For example, when thinking about what a borrower has left to spend on a new loan after paying other expenses, as well as taking into account the loan amount, the cost of the repayments and how long the loan is for, a proportionate check might mean a lender should also find out the borrower's credit history and/or take further steps to verify the borrower's overall financial situation.

If reasonable and proportionate checks weren't carried out, I need to consider if a loan would've been approved if the checks had been done.

If proportionate checks were done and a loan looks affordable, a lender still needs to think about whether there's any other reason why it would be irresponsible or unfair to lend. For example, if the lender should've realised that the loan was likely to lead to more money problems for a borrower who is already struggling with debt that can't be repaid in a sustainable way.

I've kept all these things in mind and I've thought carefully about the information Loans 2 Go relied on when it decided to lend to Mr P.

Before providing each of these loans, Loans 2 Go asked Mr P about his income and expenditure and also carried out credit checks. Loans 2 Go checked Mr P's declared income using third party data. It also took into account statistical information when thinking about what would be likely expenditure for someone in Mr P's circumstances.

As far as I can see, Mr P hasn't objected to what our adjudicator said with respect to not upholding his complaint about loan 1. So I don't think I need to say more about loan 1 except that I've reviewed this loan and independently reached the same conclusion as our adjudicator. I haven't seen enough to say that Loans 2 Go shouldn't have provided this loan – so that's why I'm not planning on upholding this part of Mr P's complaint.

Mr P seems to have changed his mind about borrowing loan 2. Within a few days of the loan being agreed he returned the money he'd borrowed and he didn't incur any costs or have to pay any interest as a result of taking out this loan. As he hasn't had to pay anything extra, he didn't lose out financially in relation to this loan. So, I don't think I need to consider this loan further as there isn't anything Loans 2 Go would need to do to put things right. And the position in relation to loan 5 is similar as he also withdrew from that loan within a week of taking it out. So I'm not planning on investigating the circumstances of loan 5 either or upholding it.

For loan 3, Loans 2 Go checked Mr P's declared income of £2,000. After allowing for the cost of the repayments he would have to make for the loan on top of his other monthly outgoings, including meeting his existing credit commitments shown in the credit checks it obtained, Loans 2 Go worked out that the repayments should still have been affordable for Mr P.

I can't see that there was anything in the information Mr P provided, or the other information Loans 2 Go had recorded, which meant that Loans 2 Go should've taken more steps to check the information Mr P had declared. He had evidently had some money problems in the past. But the payment issues shown in the credit report Loans 2 Go obtained, whilst concerning, weren't enough in my view to have prompted a responsible lender to have declined this loan application. His active accounts appeared to be mostly being well managed, he didn't appear to be overdrawn, his overall amount of debt wasn't excessive or concerning for someone with his level of earnings. The amount of his total indebtedness had gone down during the last couple of months – it had been well over £8,000 and was now just

over £7,000. He had more available credit on his revolving credit accounts. He wasn't shown as being in bankruptcy or having entered into any formal arrangement with creditors and there was no record of any county court judgement.

It isn't unusual for applicants for this type of high cost loan to have a credit history showing other borrowing or even sometimes an impaired credit record – and these things wouldn't necessarily be reasons to prompt a responsible lender to decline a loan application that otherwise looked affordable.

I've thought carefully about the fact that Mr P's payment record on loan 1 showed a number of missed payments. Potentially, I think this was concerning. But it looks like the main problem was that Mr P's employer apparently didn't pay him on time – a number of automatic missed payment messages were generated as a result. Mr P had told Loans 2 Go that he effectively missed a month's salary and that he'd be paid double the next month. And Mr P went on to settle loan 1 early the following month. So I think Loans 2 Go might reasonably have thought that his payment problems on loan 1 had been attributable to a one-off problem with his pay rather than a sign that Mr P had serious underlying and potentially ongoing money problems. And as Mr P decided against taking up loan 2, I can see why Loans 2 Go might've felt reassured that Mr P didn't appear to be in financial difficulty.

Thinking about all these things, I think the checks were enough for Loans 2 Go to agree to lend loan 3 and the information Loans 2 Go had gathered reasonably supported its lending decision.

So I'm not planning on upholding Mr P's complaint about loan 3.

When he applied for loan 4, Loans 2 Go asked Mr P to update his income and expenditure information and repeated the checks it carried out previously to verify his income and ensure it was aware of Mr P's up to date credit situation.

Mr P was still in the same employment and his financial circumstances were broadly unchanged.

I think it's fair to say that the credit checks Loans 2 Go did for this loan didn't show any signs that Mr P was having trouble managing money problems. And although Loans 2 Go doesn't seem to have known what he wanted the loan for, I don't think the lender had enough information to have suggested that the reason he needed to borrow again might be to plug the gap in his finances caused by paying for his debt.

There had been a gap of around three and a half months since he'd repaid 3. The amount he was borrowing wasn't significantly more than the last loan he'd repaid – and it was significantly less than his first loan with Loans 2 Go.

The total of all the balances outstanding on his active accounts (£1,604) was now substantially less than it had been previously. And it didn't look like Mr P was as reliant on using his credit cards as he had been.

Although there had been a missed payment on loan 3, I don't think this alone was sufficient to suggest that loan 4 wasn't likely to be sustainably affordable for Mr P.

Looked at overall, I think the information Loans 2 Go had gathered suggested the loan monthly repayments should be comfortably affordable for Mr P out of his disposable income and there wasn't anything else to suggest otherwise.

I don't think it was unreasonable for Loans 2 Go to lend without making any more detailed enquiries into Mr P's circumstances as there wasn't anything obvious, in the information it had, to suggest he wouldn't be able sustainably to repay the loan. And I think the information it had gathered supported the lending decision it made.

So I haven't seen enough to be able to uphold loan 4.

I appreciate that my provisional decision overall will disappoint Mr P. But I hope that setting out the reasons as I've done will help explain how I've reached my decision."

What the parties said in response to my provisional decision

Mr P hasn't commented on my provisional decision.

Loans 2 Go has confirmed it has nothing further to add.

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 unaffordable/irresponsible lending complaints on our website and I've kept this in mind while deciding this complaint.

As no further comments have been received in response to my provisional decision that change what I think about this case, I still think it's fair not to uphold this complaint for the reasons I explained in my provisional decision.

My final decision

For these reasons, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 29 June 2022.

Susan Webb
Ombudsman