DRN-3514074

The complaint

Mr G, through his representative, complains that Loans 2 Go Limited lent to him irresponsibly.

What happened

Mr G was approved by Loans 2 Go for one loan on or near 11 November 2021. The capital amount borrowed was £1,000 repayable over 78 weeks at weekly payments of £47.44. The total payable was £3,700.32 and it remains outstanding.

Mr G appears to have signed up with is representative on 13 December 2021 – about a month after taking the loan - and the complaint letter was sent to Loans 2 Go on 20 December 2021.

Loans 2 Go's final response letter (FRL) did not uphold his complaint but it said that it was willing to reduce the outstanding interest due on the loan by writing off £1,350.16 which would have left Mr G with a balance outstanding of around £2,255. Loans 2 Go has confirmed with us that the offer is still available to Mr G.

One of our adjudicators did not uphold Mr G's complaint. The unresolved complaint was passed to me to decide.

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 general approach to complaints about unaffordable/irresponsible lending - including all the relevant rules, guidance, and good industry practice - on our website.

Taking into account the relevant rules, guidance and good industry practice, what I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are whether Loans 2 Go completed reasonable and proportionate checks to satisfy itself that Mr G would be able to repay in a sustainable way? And, if not, would those checks have shown that Mr G would've been able to do so?

If I determine that Loans 2 Go did not act fairly and reasonably in its dealings with Mr G and that he has lost out as a result, I will go on to consider what is fair compensation.

The rules and regulations in place required Loans 2 Go to carry out a reasonable and proportionate assessment of Mr G's ability to make the repayments under this agreement. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower" focused – so Loans 2 Go had to think about whether repaying the loan would be sustainable and/or cause significant adverse consequences for Mr G. In practice this meant that Loans 2 Go had to ensure that making the payments to the loan wouldn't cause Mr G undue difficulty or significant adverse consequences.

In other words, it wasn't enough for Loans 2 Go to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mr G. Checks also had to be "proportionate" to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr G's complaint.

Loans 2 Go verified Mr G's income using a credit bureau check. It had calculated from its own checks that Mr G had more outgoings than he had declared to it and so it increased that 'total expenditure' figure. Still that would have left Mr G with enough money to be able to afford just over £47 a week. And so, it considered that the loan was affordable.

Our adjudicator had asked for copy bank statements to see more about Mr G's financial situation but none were sent. I have reviewed the information we have. I can see from the copy credit file search results which have been provided by Loans 2 Go that Mr G did have a period of difficulty. But many of these other earlier loans with adverse information attached to them were closed. Mr G had relatively little open credit and so I do not consider that the information Loans 2 Go had at the time was enough to lead it to turn down Mr G's application.

And I consider Loans 2 Go had carried out proportionate checks. So, I do not uphold Mr G's complaint on irresponsible lending.

I endorse the fact that Mr G still has the chance to take up Loans 2 Go's offer of a reduced balance. But as that was offered in the FRL before Mr G brought his complaint to us, I am not upholding his complaint. I am sure that Mr G's representative can advise him on next steps.

My final decision

My final decision is that I do not uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 20 July 2022.

Rachael Williams
Ombudsman