

Complaint

Mr B says Loans 2 Go Limited (“L2G”) irresponsibly lent to him.

He says that the loans were unaffordable for him and so he should have been provided with them in the first place.

Background

This complaint is about ten loans that L2G provided to Mr B from May 2016 onwards. Mr B's last loan was provided in October 2019. The amount he was lent ranged from £250 to £1,000.00.

Our adjudicator partially upheld Mr B's complaint and thought he shouldn't have been provided with loans 5 to 9. Mr B didn't disagree but L2G didn't respond to our adjudicator's assessment and so the complaint was passed to an ombudsman.

My findings

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

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We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key rules, guidance and industry codes of practice - on our website.

L2G needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr B could repay the loans in a sustainable manner.

These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that L2G should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a customer'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 of time 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).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've carefully considered all of the arguments, evidence and information provided. Having looked at the overall pattern of L2G's lending history with Mr B, I think that L2G should reasonably have seen that Mr B was unlikely to have been able to make his payments in a sustainable manner by the time it provided loan 5.

I say this because by this stage Mr B had an established borrowing pattern of taking out further loans not too long after repaying previous ones. And some of them, such as loans 5, 6 and 8 were even provided on the same day as previous ones were settled. This was indicative of Mr B borrowing further to cover the hole that repaying previous loans was leaving in his finances.

L2G continued lending to Mr B even when this pattern was repeated and in circumstances where it ought reasonably to have realised that Mr B was only likely to be able to repay what he was being lent by borrowing further. And this is in itself considered unsustainable according to the rules set out by the regulator.

I don't think that the monthly repayments being less than a certain percentage of Mr B's income or the fact that he repaid the loans changes this or means that it is fair and reasonable for L2G to have provided them in the first place. As this is the case, I'm upholding Mr B's complaint about loans 5 to 9.

Mr B had to pay interest and charges on loans that L2G shouldn't have provided him with. So I think that he lost out and L2G should put things right.

Fair compensation – what L2G needs to do to put things right for Mr B

Having carefully considered everything provided, I think it would be fair and reasonable in all the circumstances of Mr B's complaint to put things right by:

- refunding all interest, fees and charges Mr B paid on loans 5 to 9;
- paying interest of 8% simple a year on any refunded interest and charges from the date they were paid to the date of settlement†;
- the number of loans provided means that any information recorded about loans 5 to 9 on Mr B's credit file is likely to be adverse. So all reference to these loans should be removed from Mr B's credit file;

† HM Revenue & Customs requires L2G to take off tax from this interest. L2G must give Mr B a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons given above, I'm upholding Mr B's complaint. Loans 2 Go Limited should pay Mr B compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 18 July 2022.

Jeshen Narayanan
Ombudsman