

## The complaint

Mr K complains about a loan Loans 2 Go Limited provided to him. He says that Loans 2 Go Limited didn't carry out proper lending checks and, if they had done so, would have seen that he had a gambling addiction. Mr K says Loans 2 Go Limited shouldn't have lent to him because of this and that it was irresponsible of them to do so.

## What happened

Mr K says he looked online in October 2020 to see if he could find any affordable loans. He also says that Loans2Go Limited ("Loans2Go") gave him a loan of £800 even though he'd only put in his bank details to see what kind of loan he could get. Mr K says that he didn't sign any contract with Loans2Go and that when he realised how high the interest was on the loan, he contacted them immediately to say he couldn't afford this. Loans2Go explained to Mr K that no interest and charges would be applied if he repaid the capital sum of the loan the following day.

Mr K rang his mother to explain what had happened and she lent him £800 to repay the loan. He then complained to Loans2Go saying that they didn't carry out any checks to see if he could have afforded the loan and that he didn't sign any loan agreement with them. Loans2Go didn't uphold the complaint and said, in summary, that they carried out the necessary affordability checks before it gave Mr K the loan.

Mr K didn't agree and referred the matter to us. Our investigator upheld the complaint. He said that Loans2Go didn't carry out proportionate checks as there were unanswered questions about Mr K's financial circumstances at the time that should have prompted further checks. He said that, had Loans2Go carried out further checks, they would have likely seen that Mr K had a possible gambling problem and that further borrowing would have adversely affected his financial situation. Our investigator recommended that Loans2Go refund Mr K the £800 he repaid as he owed his mother this and she expected this to be repaid.

Loans2Go didn't agree and said, in summary, that there was no obligation for them to have checked Mr K's bank statements prior to granting the loan as our investigator had said. They also felt that requesting these statements wasn't proportionate in view of the information they had obtained about Mr K's financial situation and that he wasn't showing any signs of struggling to meet his existing financial commitments. So Loans2Go felt they would not have seen Mr K's gambling problems and highlighted that he didn't make them aware of this.

I sent my provisional decision to both parties on 6 July 2022, where I said the following:

*Prior to approving the lending, Loans2Go had an obligation to lend responsibly. In short, this means that they had to complete reasonable and proportionate affordability checks to ensure Mr K could afford the repayments in a sustainable way.*

*Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship. But we might think it needed to do more if, for*

*example, a borrower's income was low, or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.*

*Loans2Go provided Mr K with a loan of £800. This loan had an APR of 1,013.3% and an 18-month term. This all meant the total amount repayable of £3,291.12 was due to be repaid in 18 monthly instalments of £182.84.*

*I've seen the information Loans2Go used when they were considering Mr K's loan application. They've sent us a screenshot from the time which shows that Mr K had declared his monthly income to be £2,000 and his normal monthly expenditure to be £618. This left monthly disposable income of £1,382. Loans2Go has also sent us details of the credit check they carried out.*

*Loans2Go has said that they verified Mr K's income via an online verification tool which came out at roughly £1,370 each month and calculated Mr K's monthly expenditure as £987. They also said they added a 10% buffer to these amounts to account for any monthly fluctuations and this meant that Mr K could still afford the monthly payments for the loan.*

*I've carefully thought about what Mr K and Loans2Go have said. The first thing for me to say is that this was, as far as I can tell, Mr K's first loan with them. And the information provided does suggest Mr K was asked to provide details of his income and expenditure and Loans2Go didn't just rely on what it was told.*

*I note Loans2Go's credit check showed that Mr K had a previous county court judgement against him. But this was issued nearly three years before this loan was provided and I think it is reasonable for Loans2Go to have placed less weight on this. Bearing in mind the amount of the repayments, the credit search not showing recent payment difficulties and Mr K's apparent lack of any previous lending with Loans2Go, I don't think it was unreasonable for Loans2Go to rely on the payments being affordable as, on the face of things, they did appear to be.*

*I accept that Mr K's actual circumstances may not be reflected in the information gathered. But it's only fair and reasonable for me to uphold a complaint in circumstances a lender did something wrong. And, in this case, I don't think that Loans2Go did anything wrong in deciding to lend to Mr K - it carried out proportionate checks even though it's possible the information it was provided with may not have told the whole story. I would add here that I realise Mr K was suffering from a gambling problem at the time. But the only way Loans2Go would have realistically seen this, was if they saw Mr K's bank statements before it granted him the loan. Lenders though aren't obligated to check a prospective customer's bank statements as a matter of course and I don't think here it was necessary or proportionate for Loans2Go to have asked to see these.*

*I've also thought about the terms of this loan. The amount Mr K is being expected to repay compared to the loan he was given is significant. But the credit agreement doesn't disguise this. As Mr K accepted these terms, and I am satisfied that Mr K did actually apply for the loan, plus bearing in mind that the payments appeared affordable and there isn't anything on file, at least, to demonstrate Loans2Go actively took advantage of Mr K's position, overall I find that Loans2Go didn't unfairly provide this loan given all the circumstances.*

*As this is the case, I'm not proposing to uphold Mr K's complaint. I appreciate this will be very disappointing for Mr K, particularly bearing in mind our investigator upheld the complaint initially. And I am very mindful of what Mr K used the money for and the impact this had on him. I would only add at this stage that my decision is provisional and that both parties have*

*the opportunity to send me any final evidence to consider.*

Loans2Go responded to my provisional decision saying that they had nothing further to add. Mr K replied to say that he didn't agree. He said, in summary, that the fact that a CCJ was recorded on his credit file should have shown Loans2Go that he was struggling. Mr K also said that Loans2Go were aware he had previously applied for loans with them and they had declined those applications. And he said that the income figure of £2,000 wasn't particularly relevant when his bank statements showed he was spending thousands of pounds each month.

### **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.

I'd like to thank Mr K for his further comments, which I have considered. I don't though find that these change my provisional conclusions. I'll explain why.

I agree with Mr K that the presence of a CCJ on a credit file could be an indication of financial difficulties. However, I still think it was reasonable for Loans2Go to place less weight on this when it considered his application. The CCJ in question was over three years old and I think it reasonable that Loans2Go could have assumed that this showed that Mr K may have struggled to pay this debt at that particular time. It doesn't though in my view show that Mr K was struggling or likely struggling at the time of the application, when there were no other recent signs of problems with repaying credit and where Mr K's income and expenditure details showed that he could, in theory, afford the loan repayments.

I would possibly have changed my view on this had there been, for example, other indicators of financial difficulties, such as missed repayments on Mr K's credit file or other adverse information. That wasn't the case here and I don't agree that a CCJ that was over three years old should have alerted Loans2Go that Mr K was potentially unable to afford this loan without further checks being carried out. It's not uncommon for lenders to still lend to customers where there is adverse information on their credit file, although affordability checks must still be proportionate based on each individual application.

I also accept that Mr K's bank statements showed a lot of expenditure relative to the income Loans2Go took into account. However, there is no regulatory obligation for Loans2Go to check bank statements when they assess loan applications. They might have chosen to ask for Mr K's bank statements had there been clear or potential signs of financial difficulty or over indebtedness on Mr K's part. And, had that been the case, I may have expected Loans2Go to have taken further steps to ensure they did lend responsibly, such as verification of Mr K's income and expenditure (which may have led them to asking for and checking his bank statements).

However, I don't find that there were signs of this and so I don't find that Loans2Go should have taken any further steps than they did. I don't therefore think that Loans2Go would have seen that Mr K was gambling heavily at the time and that they should have declined the application as a result.

I realise that Mr K was clearly in the throes of an addiction and I have absolutely no doubt that this impacted him financially and emotionally. I don't in any way wish to underplay or underestimate the extent of this. However, for the reasons I've given, I'm satisfied that Loans2Go carried out proportionate affordability checks when it assessed Mr K's application. And it follows that I won't be upholding Mr K's complaint because of this.

**My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 26 August 2022.

Daniel Picken  
**Ombudsman**