

## The complaint

Mr L complains that Loans to Go Limited (trading as “Loans 2 Go”) lent to him in an irresponsible manner.

## What happened

Mr L was given a loan by Loans 2 Go in February 2020. He borrowed £1000 and agreed to repay this over 18 months. Mr L had also asked for a loan in 2019 with Loans 2 Go but he withdrew from this one.

I have issued two provisional decisions on this complaint. The first one was in June 2022 where I did not uphold Mr L’s complaint. I then issued a second provisional decision in July 2022 where I then upheld it. Both parties have received a copy of the two provisional decisions, but for completeness I include an extract from both of the decisions below. I said;

### *“Provisional decision 1 – June 2022*

*Loans 2 Go gathered some information from Mr L before it agreed to lend. It asked Mr L about his income and expenditure. It says it verified his income using an online tool. It carried out a credit check. Those checks suggested Mr L had enough disposable income each month to afford the loan repayments.*

*Mr L was entering into a fairly significant commitment with Loans 2 Go. He was agreeing to make monthly repayments for a period of 18 months. So, I think it is right that Loans 2 Go wanted to gather, and independently check, some detailed information about Mr L’s financial circumstances before it agreed to lend to him. I think that the checks it did were sufficient to achieve that aim. I think Loans 2 Go’s checks were proportionate.*

*But simply performing proportionate checks isn’t always enough. A lender also needs to react appropriately to the information those checks show. Those results might sometimes lead a lender to undertake further enquiries into a consumer’s financial situation. Or, in some cases, the results might lead a lender to decline a loan application outright. So, I’ve looked at what Loans 2 Go gathered to see whether it needed to ask for more or whether it made a fair lending decision.*

*I have looked at the credit search that Loans 2 Go conducted. The search showed that Mr L was making use of credit that was available to him. Mr L had several accounts and had a monthly amount he needed to repay that I can see Loans 2 Go included in its affordability assessment. Our investigator concluded that the amount Mr L had to repay was a significant amount and I think Loans 2 Go ought to have had concerns about this. But I can also see that Mr L was managing his credit well and had, overall, a positive payment history. So, I don’t think Loans 2 Go would necessarily have been prompted to do more or react to what its search showed it.*

*I think when I consider how much Mr L's verified monthly income was of around £1853, and what Loans 2 Go assessed he had in essential spend of around £1374, I think the credit he had taken out was affordable for him.*

*I appreciate that Mr L's financial situation could have been worse than my assessment above might suggest. But I think that the checks Loans 2 Go performed were proportionate and didn't suggest that Mr L was facing any current problems in managing his finances. I think Loans 2 Go was entitled to rely on what Mr L said about his finances, and his circumstances at the time and use this along with other information it gathered to make an assessment on affordability. And that information suggested that he would be able to sustainably afford the repayments on the loan. So, I don't currently think Loans 2 Go was wrong to give the loan to Mr L.*

#### *Provisional decision 2 – July 2022*

*I drew the conclusion in my first provisional decision, that Loans 2 Go had carried out proportionate checks. Mr L has responded to this and said the checks it carried out and its assessed income and expenditure was very different to what he had declared at the time. He says after seeing the discrepancy between the two, that it should have asked for further information and further validated the figures provided so it could assure itself that he could make the loan repayments in a sustainable way. So, I have looked into this again.*

*I acknowledge what Mr L has said here and, in this instance, I am now currently minded to agree with what he has said.*

*Loans 2 Go reduced Mr L's declared income from £2500 a month to £1853 after verifying this. It then increased what Mr L says his expenditure was of £950, to £1374, based on checks it carried out this included a credit search.*

*After considering its checks again, I now don't think Loans 2 Go's checks were proportionate for this loan. This is because I can see there was a discrepancy between what Mr L 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 L wasn't being truthful about his income or expenditure in this case. 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 L with the loan. This leads me to think that Loans 2 Go needed to take additional steps to verify what Mr L's actual monthly expenditure was.*

*As I have now concluded 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 L would have been unable to sustainably repay this loan.*

*I've carefully considered the information provided including reviewing bank statements that Mr L has provided for the days leading up to his applications for the loan. When I look through these statements, I can see that Mr L was spending significant amounts on gambling transactions in the days leading up to requesting this loan. I am minded to conclude that if Loans 2 Go had carried out further checks, it would have more likely than not uncovered this information, and in doing so, would not have granted the loan to Mr L. This is because it would have seen that Mr L had significant problems managing his finances.*

*Bearing all of this in mind, I currently conclude that reasonable and proportionate checks would more likely than not have shown Loans 2 Go that Mr L would not have been able to*

*sustainably repay this loan. So, I'm currently satisfied that Loans 2 Go's failure to carry out proportionate checks resulted in it unfairly providing this loan to Mr L.*

*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 second provisional decision.

Loans 2 Go responded and has no further comments. Mr L has responded and said he 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.

Neither party have raised any further points. So, as I am not looking into anything else or making any additional findings, I won't be changing the outcome of my second provisional decision sent out in July 2022 to the parties. With that being the case, I uphold Mr L's complaint.

It is now time for Loans 2 Go to put things right.

### **Putting things right**

In line with this Service's approach, Mr L shouldn't repay more than the capital amount he borrowed for the loan. With this in mind, Loans 2 Go should:

- add up the total amount of money Mr L received as a result of being given the loan. The payments Mr L made should be deducted from this amount. Any payments made after the total repaid exceeds the amount Mr L 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 L to the date of settlement†;
- remove any adverse information placed on Mr L'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 L 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 L's complaint and direct Loans 2 Go limited to pay compensation as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 25 August 2022.

Mark Richardson  
**Ombudsman**