

## **The complaint**

Miss S complains that Loans 2 Go provided her with a loan she couldn't afford to repay.

## **What happened**

In February 2022 Loans 2 Go approved a £250 loan for Miss S. She was to repay £51.39 over 18 months.

Miss S says the loan was unaffordable.

Loans 2 Go disagree. They say that they completed reasonable and proportionate checks before approving the loan. They asked Miss S about her income and verified it and they considered Miss S's likely expenditure. They also reviewed Miss S's credit file before making the decision to lend. They didn't think they had evidence in these checks that the loan was unaffordable.

Our adjudicator didn't agree, and she suggested Loans 2 Go took some action to resolve matters for Miss S.

But Loans 2 Go disagreed with the adjudicator's opinion. They said they'd completed reasonable and proportionate checks and that they'd used statistical information to estimate Miss S's likely expenditure. They said that having done those proportionate checks there was no evidence the loan was unaffordable for Miss S.

The complaint has therefore been referred to me, an ombudsman, for a final decision.

## **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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable here.

I don't think Loans 2 Go completed reasonable and proportionate checks before approving the finance. Whilst they took note of Miss S's income and also considered what her likely expenditure would be. I think there was evidence on her credit file that warranted further investigation before they could assure themselves that the lending was affordable.

I say that because the credit file showed only a month prior to the loan being taken Miss S had fallen into arrears on a mail order account. She had also entered into an arrangement to pay with a communications business and I think that information should have alerted Loans 2 Go to the potential that she was under financial stress.

I don't think that information alone would have suggested that the loan was unaffordable but I do think Loans 2 Go should have gathered more information to clarify whether Miss S could afford repayments sustainably, before they lent to her.

I think it would have been proportionate for Loans 2 Go to have found out more about Miss S's committed expenditure, such as her actual living costs. I can't be sure exactly what they would have found out if they had explored further. In the absence of anything else, I think it would be reasonable to place significant weight on the information contained in Miss S's bank statements as to what would most likely have been disclosed.

I've reviewed three months of bank statements leading up to the lending decision. These show that Miss S's income was about £1,122. Our investigator suggested Miss S's expenditure was about £843 per month but I think the statements show it to be higher. I've estimated regular monthly expenditure on items such as utility bills, credit repayments, insurance, rent, and fuel of about £1,000 and that's before food expenditure is taken into account. The statements also showed that Miss S was having direct debits returned for insufficient funds and that her account was often in unauthorised overdraft and incurring charges in the three months before lending was approved. I think all of that would suggest that this additional loan wasn't likely to have been affordable for Miss S and that Loans 2 Go were irresponsible to further increase her indebtedness.

### **Putting things right**

Loans 2 Go shouldn't have given Miss S the loan. They should therefore:

- Remove all interest, fees and charges from the balance on the loan, and treat any repayments made by Miss S as though they had been repayments of the principal. If this results in Miss S having made overpayments then they should refund these overpayments with 8% simple interest\* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled.
- If there is still an outstanding balance once interest, fees and charges have been removed then Loans 2 Go should try to agree an affordable repayment plan with Miss S.
- Once the capital has been repaid, Loans 2 Go should remove any adverse information recorded on Miss S's credit file in relation to this loan.

It seems this loan is still outstanding, and the debt hasn't been sold. But, if I'm wrong about that and the debt has been sold, Loans 2 Go should buy back the debt or liaise with the new debt owner to achieve the results outlined above.

\*If HM Revenue & Customs requires Loans 2 Go to deduct tax from this interest they should give Miss S a certificate showing how much tax they've deducted, if she ask for one.

### **My final decision**

For the reasons I've given above I uphold this complaint and tell Loans 2 Go to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 21 November 2022.

Phillip McMahon

**Ombudsman**