

The complaint

Mr S says that Loans 2 Go Limited irresponsibly lent to him.

What happened

Mr S's complaint is about a loan provided by Loans 2 Go. The loan was for £1850 over 18 months and was advanced in September 2021.

Mr S complains that Loans 2 Go lent irresponsibly to him.

Our adjudicator upheld the complaint. He thought that Loans 2 Go hadn't made a fair lending decision based on the results of the checks carried out.

Loans 2 Go disagreed with the adjudicator so the complaint has been passed to me for a 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.

The general approach to complaints about unaffordable and irresponsible lending, including the key relevant rules, guidance and good industry practice, are set out on this services website.

Loans 2 Go needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice, this means that it should've carried out reasonable and proportionate checks to make sure that Mr S could afford to repay what was being lent in a sustainable manner.

There are no set checks that a business has to carry out. But the checks might include a number of things such as how much was being lent, the length of the agreement, the frequency and amount of the repayments, the total amount repayable and what Loans 2 Go knew about Mr S at the time he applied for the loan.

I can see that Loans 2 Go obtained information about Mr S's income and expenditure and his existing credit commitments. Loans 2 Go used this information to calculate Mr S's disposable income and made an assessment of whether the loan was affordable.

The adjudicator thought these checks were reasonable and proportionate but didn't think the lending decision was fair.

I agree that the checks were reasonable and proportionate. So I've focussed on whether the decision to lend was fair, based on the outcome of the checks.

The checks showed that Mr S's consumer credit commitments including the Loans 2 Go loan represented a high proportion of his income. The checks also showed that Mr S had an overdraft balance. I think this information should have alerted Loans 2 Go that there was a significant risk that Mr S wouldn't be able to meet the loan repayments without needing to

borrow further. I also think Loans 2 Go ought to have realised that Mr S was unlikely to be able to sustainably repay the loan.

Based on the information I've seen, I don't think Mr S could afford to repay the loan in a sustainable manner. I think the information obtained by Loans 2 Go should've alerted it to the fact that there was a risk that the loan wasn't affordable for Mr S. Because of this, I don't think the decision to lend was fair.

Putting things right

Where I find that a business has done something wrong, I'd normally direct the business to put the complainant back in the position they would have been had the mistake not happened, as far as is reasonably practicable.

In this case, that would mean putting Mr S in the position he would be in now if he hadn't been given the loan. But Mr S was given the loan and has used the money and made repayments.

So I think Loans 2 Go should refund all interest and charges that Mr S has paid on the loan. Mr S's credit file should accurately reflect his credit history. However, I don't think it's fair that his credit file should be adversely affected by Loans 2 Go's decision to lend irresponsibly. So I think it's fair to ask Loans 2 Go to remove any negative information relating to the loan from Mr S's credit file.

My final decision

To settle this complaint, Loans 2 Go Limited must:

1. Add up the total amount of money Mr S received as a result of being given the loan. The repayments he's made should be deducted from this amount.

(a) if this results in Mr S having paid more than he received, any overpayments should be refunded together with 8% simple interest calculated from the date the overpayments were made to the date of settlement*

(b) if any capital balance remains outstanding, then Loans 2 Go should arrange an affordable payment plan with Mr S

2. Remove any negative information recorded on Mr S's credit file relating to the loan

*HMRC requires Loans 2 Go to take off tax from this interest. It must give Mr S a certificate showing how much tax has been taken off if he asks for one

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 1 November 2022.

Emma Davy
Ombudsman