

The complaint

Mr B complains that Loans 2 Go Limited (LTGL) provided him with loans that were unaffordable.

What happened

Mr B took out two loans with LTGL on the following basis:

Loan number	Date	Loan amount	Term	APR	Total amount repayable	Monthly repayment amount	Loan purpose (as stated by Mr B at the point of application)
One	May 2017	£450	18 months	990%	£1,835.10	£101.95	Holiday
Two	June 2017	£500	18 months	990.1%	£2,039.00	£113.24	Kids birthdays, living expenses

It appears that Mr B signed for the first loan on 12 May 2017 and that it was repaid only a few days later.

In October 2021 Mr B (who is professionally represented) complained to LTGL that it shouldn't have provided him with either loan. He said that LTGL didn't do enough to check that he could sustainably meet the repayments on either loan. He also said that, before agreeing Loan Two, LTGL should have enquired as to how he had been able to repay Loan One so quickly – to check that he wasn't using other creditors and hadn't gotten into a cycle of dependency on credit.

He said that after taking out Loan Two he fell into arrears as he couldn't afford to meet the loan repayments. He asked LTGL to refund all interest and charges plus statutory interest and to remove the loans from his credit file.

LTGL didn't uphold the complaint. In summary, it said that ahead of granting both loans it had verified Mr B's stated income (using bank statements provided by Mr B during the application process) and calculated his expenditure. After doing this and adding a buffer, it had found that the monthly loan repayments were affordable. It said it had also reviewed Mr B's credit file.

However, it said that, taking account of Mr B's change in circumstances, it was prepared to make a 'gesture of goodwill' offer – which was to write off the remaining balance of the loan (£1,102.76).

Mr B didn't accept the offer and referred his concerns to this Service.

An investigator here issued an opinion upholding Loan Two only. For Loan One, she said she thought the checks LTGL had carried out were reasonable and proportionate and that, from the information it had gathered, she didn't think the lending would have appeared to be unaffordable.

For Loan Two, the investigator said that from the information LTGL gathered ahead of granting the loan, there were signs that Mr B's financial situation was deteriorating. This was by reference to the frequency and extent of other borrowing in the lead up to the loan and that Mr B had said he was applying for the loan to help with living expenses. The investigator thought that LTGL ought to have realised the loan would likely be unsustainable and unhelpful for Mr B.

She said in relation to Loan Two that LTGL should refund the interest and charges and remove any adverse information in relation to the loan as a result of the interest and charges, from Mr B's credit file.

LTGL didn't agree with the assessment in relation to Loan Two. It said that the bank statement information it had obtained showed Mr B wasn't struggling financially and wasn't spending money on gambling transactions. It said that Mr B had sufficient spare funds once all of his credit commitments and day to day living costs had been paid, to not have to use his overdraft facility.

The investigator's view remained unchanged and LTGL asked for the case to be passed to an ombudsman.

I requested some further information from both parties.

I asked Mr B the following (Mr B's responses are in italics):

- The statements the business obtained for Loan One went up to 2 May 2017. They show two payments to "G C LTD", totalling £600. The April statement shows over £900 payments to the same place. What were these payments in relation to?

o ...in relation to the transactions G_C Ltd this is Grosvenor Casino.

- The statements also show a number of significant cash withdrawals from the same location, seemingly (given the details on the statement) related to the bullet point above. For example, in April 2017 approximately £700 worth of cash withdrawals were made, with the reference "LNK G C LTD CD". What were these cash withdrawals in relation to i.e. what was the money being used for?

o G_C Lnk is the bank machine they have inside the casino and all transactions were used to gamble, I am able to admit I had a very bad gambling problem at that time. The machine charged 1.50 for transactions as that may have confused the amount that you see.

- April's statement shows a transfer in of £800 on 4 April, from what appears to have been another account in your name. What was this other account used for? Why did you make the £800 transfer?

o The reason I have two accounts the bank (Lloyds) gave me a cash account and savings account when I opened my banking with them.

o When I won 1800 pounds I was keeping 800 aside to try and help put my finances on track. I used my savings account at times to put my winnings in to try and stop the temptation of gambling I was kidding myself at the time looking back. As I had easy access to transfer the money...

- In terms of March's statement, it appears there is a page missing (page 2 of 12). This contains transactions at the end of March 2017. They include £1,800 into the account with the reference "Bolton Hotel". And another £800 transferred in from the same account seemingly in your name. What was the £1,800 "Bolton Hotel" transaction in relation to and why did you transfer £800 from another account?

o Hotel Bolton is where the main branch is for Lloyds Bank in Bolton... (Hotel Street Bolton is in the town centre branch)

- May's statement (obtained by the lender before granting the second loan) showed two transactions into the account totalling £1,500 with the description "LOYD HALIWELL ROA". What was this in relation to?

o The transactions which you refer to Lloyd Halliwell Road is a Lloyds bank on Halliwell Road Bolton where I deposited money.

- Loan One was signed on 12 May 2017 and seemingly repaid on 15 May 2017. Why did you do this?

o The money I deposited (see Hotel Bolton reference above) was my winnings from the casino which also enabled me to pay off the loan you refer to in May. I used the money I loaned to gamble and was able to pay it off two days later as I used the winnings to do so..

- I can see in the final response letter that the lender offered to write off the remaining loan balance at that time - of £1,102. Did you reject this offer? How much do you now owe?

o In regards to turning the offer down 1102 as a good will gesture this was based on the professional advice that was given to me from (name of professional representative)

Mr B also said the following:

"I went through a really bad time from the moment I was enabled to gamble from this lending period. This was the beginning of my gambling problem. This went on for the next year or so. This really effected my relationships with family friends and my own children. The financial strain really impacted my mum the most as she was trying to support me at this time to help pay my general bills.

I was unable to see my children due to my addiction. I was an emotional wreck and my mental health was so much affected that I felt suicidal. My whole life had been turned upside down. I was also unable to ruin my children's Christmas of 2017 due to my gambling problem.

I also taken out other loans and still playing catch up since then. My outstanding loans results on my credit file stands at 1471.69 due to loans and unpaid debts at this time. I also had loans with h and t pawnbrokers. Moneybox 24/7 and many others. I have an account with lantern at the minute which stands at over 900 for unpaid loans.

My outstanding debts in total are over 10000 pounds my outstanding debts due to my gambling is at 6360 that's Inc money I still owe to family and friends. In regards to my current outstanding balance directly with loans 2 go I'm not sure if they have added interest on this amount... Last balance I was aware off was 1102."

At the same time, I asked LTGL to confirm whether Mr B rejected the gesture of goodwill offer. I also asked it to confirm how much Mr B still owes.

LTGL responded to say that it hadn't received any further correspondence from Mr B since it issued its final response letter. It also said that the balance outstanding remained the same.

I issued a provisional decision in August 2022. In it, I said:

Given when the loans were taken out, it is the Consumer Credit sourcebook (CONC) rules that apply to each of LTGT's decisions to lend to Mr B.

From what LTGL has said and provided, it appears that the checks it carried out ahead of granting each loan, were centred around income and expenditure (as declared by Mr B, with some verification) and having regard to some credit file information.

The first thing I need to consider is whether LTGL carried out reasonable and proportionate checks ahead of agreeing to lend. If it did, I need to consider whether fair lending decisions were then made, given what those checks showed. If reasonable and proportionate checks weren't carried out, I need to consider what such checks would reasonably have involved and what that would likely have shown (and what a reasonable lending decision would've looked like, bearing in mind that information).

There are a number of factors that influence what is likely to represent a reasonable and proportionate check for any given lending. But with that said, I think that a reasonable check should generally have been more thorough:

- 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 longer the term of the loan (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make payments for an extended period); and*
- 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 financing may signal that the borrowing had become, or was becoming, unsustainable).*

Loan One

From what LTGT has said, it looks like it took steps to verify Mr B's income by requesting and reviewing bank statements. It also looks like its assessment of expenditure was limited to considering whether it needed to make any adjustments to the figures provided by Mr B, based on statistical averages or similar.

One question I need to consider is whether LTGT ought to have gone further than it did to verify Mr B's expenditure – to more accurately assess his ability to meet the loan repayments on a sustainable basis. I think this is finely balanced. I say this because the amount being applied for wasn't particularly large, nor the duration particularly long. The

credit file information indicated that Mr B didn't have particular large existing borrowing elsewhere and there weren't any missed payments or similar adverse information.

On the other hand, the credit file information showed that there had been quite a large number of credit file searches in the three months' prior, including in relation to a Payday loan. Two credit accounts had been recently started and the disposable income indicated by Mr B's stated income and expenditure was implausible – being larger than the capital amount he was seeking to borrow.

However, I don't need to make a finding on this question on this occasion. I say the because having obtained bank statement information to verify Mr B's income, it wasn't reasonable of LTGL to ignore other information showing on those statements, that was likely to be relevant to its lending decision.

Mr B's statements contained transactions that LTGL reasonably ought to have found out more about, to satisfy itself that lending to Mr B would be responsible. In short, I think reasonable and proportionate checks would've involved asking the kind of questions that I recently asked of Mr B and that can be found earlier in this decision.

I accept that something I can now see from information Mr B has provided wouldn't necessarily have been disclosed by whatever reasonable and proportionate checks LTGL might have decided to carry out. However, I think it likely in this case that had LTGL asked the questions it ought to have done, Mr B would have needed to disclose the information he has recently revealed. What he has said is credible and I see no reason to doubt it.

Given what Mr B said in response to my questions, it's clear he was spending a significant amount of money on gambling – to the extent that if LTGL had found this out, it couldn't reasonable have considered it responsible to provide Mr B with the loan.

Loan Two

Given the proximity to Loan One, the finding here is the same. Had LTGL carried out reasonable and proportionate checks in relation to the Loan One, it couldn't reasonably have considered it responsible to provide Mr B with Loan Two either.

Given what Mr B has said about how the lending contributed to his financial difficulties, I think something has gone wrong that need to be put right.

I said that to put things right, LTGL should refund all of the interest and charges Mr B had paid on both loans and to reduce the remaining capital balance by that amount. I also said LTGL should remove any adverse information recorded on Mr B's credit file as a result of the interest and charges.

Mr B responded to say he was happy to proceed, which I take to mean he accepted my provisional findings.

LTGL responded to say that it didn't agree. In summary, it said that given the size of the loans, the checks it carried out were proportionate and that the bank statements gave no indication of financial distress. It said it didn't think it would have been necessary to ask Mr B any further questions at the time of the applications and that it was unfortunate it wasn't aware of his gambling (which Mr B hadn't disclosed – meaning that he misrepresented himself). It also said that neither of the loans had been taken to cover essential living costs.

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.

When evidence is incomplete, inconclusive, incongruent or contradictory, I've made my decision on the balance of probabilities – which, in other words, means I've based it on what I think is most likely to have happened given the available evidence and the wider circumstances.

Having done all of this, I am still upholding this complaint in full, which is to say that I don't think LTGL should have granted either of the loans. I'll explain why.

Before I do, I want to set out my role as an ombudsman. It isn't to address every single point that's been made to date. Instead, it's to decide what's fair and reasonable given the circumstances of this complaint. And for that reason, I'm only going to refer to what I think are the most salient points when I set out my conclusions and my reasons for reaching them. But, having read all of the submissions from both sides in full, I will continue to keep in mind all of the points that have been made, insofar as they relate to this complaint, when doing that.

As set out above in my provisional findings (that form part of this final decision), given when the loans were taken out, it is the Consumer Credit sourcebook (CONC) rules that apply to each of LTGL's decisions to lend to Mr B.

Under these rules, LTGL was obliged to check that Mr B could afford to repay each loan on a sustainable basis. The checks it needed to carry out had to be proportionate given relevant factors, including things like the loan amount and term and Mr B's circumstances.

Loan One

From what LTGT has said, it looks like it took steps to verify Mr B's income by requesting and reviewing bank statements. It also looks like its assessment of expenditure was limited to considering whether it needed to make any adjustments to the figures provided by Mr B, based on statistical averages or similar.

I still think the question of whether LTGT ought to have gone further than it did to verify Mr B's expenditure – to more accurately assess his ability to meet the loan repayments on a sustainable basis – is a finely balanced one. On the one hand neither the loan amount nor term were particularly large. But on the other hand, there were some indications (mentioned in my provisional findings) that Mr B's financial situation wasn't particularly stable.

I still consider that I don't need to reach a firm finding on this though, because I still think that having obtained bank statement information to verify Mr B's income, it wasn't reasonable of LTGL to ignore other information showing on those statements, that was likely to be relevant to its lending decision.

LTGL's view is that it carried out proportionate checks and that it didn't need to ask Mr B any further questions at the time of the applications. It's also pointed out that Mr B didn't mention his gambling at the point of applying for the loan.

Regarding the latter point, CONC rules anticipate that applicants may not always provide entirely accurate information. That is why the rules and guidance at this time required lenders to have clear and effective processes and procedures in place to assess

affordability, which included taking adequate steps to ensure that the information provided by the customer in an application for credit is complete and correct.

Bearing this in mind, I still consider that, having asked Mr B to provide bank statements to verify his income, it wasn't then reasonable in this case for LTGL to ignore other information showing on those statements, that was likely to be relevant to its lending decision. I still consider that reasonable and proportionate checks would've involved LTGL asking Mr B the sort of questions I asked him. The value of the transactions in question were significant when thinking about Mr B's stated (and verified) income. They also cast significant doubt about the accuracy of Mr B's stated expenditure.

I still accept that something I can now see from information Mr B has provided wouldn't necessarily have been disclosed by whatever reasonable and proportionate checks LTGL might have decided to carry out. However, I think it likely in this case that had LTGL asked the questions it ought to have done, Mr B would have needed to disclose the information he has recently revealed. What he has said remains credible and I still see no reason to doubt it.

Given what Mr B said in response to my questions, it remains clear he was spending a significant amount of money on gambling – to the extent that if LTGL had found this out, it couldn't reasonably have considered it responsible to provide Mr B with the loan.

Loan Two

Given the proximity to Loan One, the finding here remains the same. Had LTGL carried out reasonable and proportionate checks in relation to the Loan One, it couldn't reasonably have considered it responsible to provide Mr B with Loan Two either.

Given what Mr B has said about how the lending contributed to his financial difficulties, I still think something has gone wrong that needs to be put right.

Putting things right

When I find that a business has done something wrong, I'd normally direct it – as far as it's reasonably practicable – to put the complainant in the position they would be in now if the mistakes it made hadn't happened.

In this case, that would mean putting Mr B in the position he would now be in if he hadn't been given the loans in question.

However, this isn't straightforward when the complaint is about unaffordable lending. Mr B was given the loans which have since been used and, in these circumstances, I can't undo what's already been done. So, it isn't possible to put Mr B back in the position he would be in if he hadn't been given the loans in the first place. I also don't think that LTGL should benefit from unfair lending decisions.

Bearing this in mind, I still think the following represents fair compensation:

1. Refund all the interest and charges Mr B has paid to date on both loans.
2. If (as seems to be the case) any of the lending is outstanding, reduce the outstanding capital balance by the amount calculated at step 1.
3. If, after Step 2, any outstanding capital balance remains, ensure that it isn't subject to any historic or future interest and/or charges. And arrange an affordable repayment plan with Mr B. But if Step 2 leads to a positive balance, the amount in question should be given back to Mr B and 8% simple interest should be added to the surplus. †
4. Remove any adverse information recorded on Mr B's credit file in relation to the loans, as a result of the interest and charges.

†HM Revenue & Customs may require the business to take off tax from this interest. If that's the case, the Business must provide a certificate showing how much tax it's taken off if one is requested.

My final decision

My final decision is that I uphold Mr B's complaint about Loans 2 Go Limited and I direct it to do what I've set out above under 'putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 28 September 2022.

Ben Brewer
Ombudsman