

## **The complaint**

Miss C complains that Loans 2 Go Limited (“L2G”) lent her an unaffordable loan. She also says it wasn’t sympathetic to her when she got into financial difficulties.

## **What happened**

L2G lent Miss C a loan in January 2021, the loan amount was £300, repayable in 18 monthly instalments of £68.57. The total repayable is £1,234.26. Miss C encountered financial difficulties repaying the loan and at the time the complaint came to this service, there was a balance outstanding.

When Miss C complained to L2G it didn’t uphold her complaint, it said it carried out sufficient checks which showed Miss C could afford the loan repayments. It considered her point about how she was treated in financial difficulties and apologised for how the situation made Miss C feel and explained that it requested a completed income and expenditure form but as Miss C didn’t complete and return the form, it wasn’t able to agree a repayment plan.

While it didn’t accept that it had done anything wrong, L2G offered to write off the outstanding balance on Miss C’s loan and close her account. Miss C didn’t accept the offer and referred her complaint to this service where it was looked at by one of our adjudicators.

Our adjudicator thought L2G should have done more before lending to Miss C and had it done that then it would have seen she couldn’t afford the loan and not lent. But she thought L2G was sympathetic to Miss C when she had financial difficulties.

L2G didn’t agree it had lent when it shouldn’t have, it says its checks showed Miss C was managing her credit well and there was no cause for it to take its checks further.

## **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 lending decision*

We’ve set out our general approach to complaints about high cost lending - including all of the relevant rules, guidance and good industry practice - on our website.

L2G needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss C could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer’s income and expenditure.

L2G has shown that before lending, it asked Miss C about her monthly income and expenses, it also searched her credit file. L2G says it verified her income using a verification tool and found that Miss C’s income was around £1,379.70. It also says after extensively

reviewing her application, worked out her living costs to be £1,166, it says based on those calculations Miss C could afford the monthly repayment of £68.57 for the loan.

However, looking at the credit search, the results showed Miss C was close to the limit on all her credit card accounts, was significantly using her overdraft facility and had at least one other loan she was repaying. So even though the search showed Miss C was up to date with her repayments, it also showed she was using a lot of credit.

Taking the results of the credit search along with the cost of this loan, Miss C was due to repay more than four times the loan amount, I think it would have been reasonable for L2G to take further steps to understand Miss C's finances.

Miss C has provided copies of her bank statements from around the time of the loan. I've used these to understand her circumstances when L2G lent to her. From what I can see, Miss C was reliant on credit. The statements showed she was in her overdraft for most of the three-month period and only when into credit for a few days after her salary had been paid and the back into her overdraft. The statement also shows she was paying debt collectors for at least five accounts.

Overall, Miss C wasn't in a position to sustainably repay this loan without the need to borrow further and had L2G carried out sufficient checks, it would have seen that, and as responsible lender won't have lent to Miss C in those circumstances.

#### *Miss C's financial difficulties*

I've looked at what happened with Miss C and I can see she told L2G about her health condition and it didn't respond for a little over a week. When it did respond, it asked Miss C to complete an income and expenses form so it could consider her circumstances. Miss C didn't provide this and asked for more time as she was hospitalised. L2G responded to say it would put her account on hold for seven days, giving her the opportunity to come back to it.

Miss C didn't complete the form and so she has continued to receive correspondence about her arrears, even though Miss C had requested to be emailed due to her health and treatment.

L2G could have communicated with Miss C by email as requested and possibly responded to her request sooner but I'm also mindful that once L2G responded, Miss C didn't provide the information for it to consider reduced payments or a payment plan. Also, Miss C wanted an apology and I can see L2G offered an apology in its final response letter. So, while L2G could have done better, I'm satisfied it took steps to put things right for Miss C and so I won't be asking it to do anymore on this issue.

#### **Putting things right**

L2G lent the loan Miss C when it shouldn't have, and it needs to put things right. To put things right, L2G should:

- Remove all interest, fees and charges added to the loan
- Treat all payments Miss C has made as payments towards the capital loan amount of £300.
- If there are overpayments above the capital, add 8% simple interest on those overpayments from the date they were paid (if they were) to the date of settlement†.
- If there's still an outstanding balance, L2G should agree a suitable repayment plan with Miss C.

- remove any negative information about the loan from Miss C's credit file.

† HM Revenue & Customs requires L2G to take off tax from this interest. L2G must give Miss C a certificate showing how much tax it's taken off if he asks for one.

### **My final decision**

For the reasons given above, I uphold Miss C's complaint in part and direct Loans 2 Go Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 2 March 2023.

Oyetola Oduola  
**Ombudsman**