

## **The complaint**

Miss M complains that Loans 2 Go Limited lent to her irresponsibly.

## **What happened**

Miss M's complaint is about a loan provided by Loans 2 Go. The loan was advanced in September 2022 for £1210 over a period of 24 months with monthly repayments of £162.95.

Miss M says the lending was irresponsible because she had other borrowing at the time which meant she was unable to afford the repayments.

One of our investigators looked at the complaint. He said Loans 2 Go hadn't made a fair lending decision based on the results of the checks it carried out.

Loans 2 Go didn't agree so I've been asked to make 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.

The general approach to complaints about unaffordable and irresponsible lending, including the relevant rules, guidance and good industry practice, are set out on this services website. I've had this approach in mind when considering Miss M's complaint.

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

These checks could take into account a number of different things, such as how much was being lent, the length of the agreement, the frequency and amount of repayments, the total amount repayable and what Loans 2 Go knew about Miss M at the time she applied for the loan.

Loans 2 Go have provided evidence to show that it carried out checks before it approved the loan. Miss M declared a monthly income of £2050 when she applied for the loan. Loans 2 Go verified this using an online verification tool. It looked at Miss M's credit file and calculated her expenditure at around £1674, leaving her with around £375 monthly disposable income, which Loans 2 Go felt was sufficient to make the loan repayments of £162.95 affordable.

The checks carried out on Miss M's credit file showed that she had five defaults at the time she applied for the loan. Of these, three defaults were still outstanding. The credit checks showed that Miss M had one credit card and one unsecured loan. Repayments of total existing credit commitments was around £350 per month.

I'm satisfied that the checks carried out were reasonable and proportionate. I've gone on to consider whether the decision to lend was fair, taking into account the information Loans 2

Go had gathered.

The number of defaults on Miss M's credit file should have alerted Loans 2 Go to the fact that Miss M was having difficulty managing her finances, and that she was unlikely to be able to sustainably repay the loan. I appreciate that some of the defaults were registered some time before the application for the loan. However, I still think the significant number of defaults should have put Loans 2 Go on notice that there might be affordability issues.

I've also taken into account Miss M's income and the proportion of her income which was being used to repay existing consumer credit commitments. Before the loan was approved, Miss M was using a significant amount of her monthly income to repay debt. After the loan was approved, Miss M was using around 25% of her income to repay credit, which, in the context of her overall financial circumstances, wasn't likely to be sustainable.

Taking everything into account, I don't think Loans 2 Go acted responsibly when it approved the loan.

### **Putting things right**

To put things right, Loans 2 Go Limited must:

Add up the total amount of money Miss M received as a result of being given the loan.  
Deduct the repayments made by Miss M from this amount.

(a)if this results in Miss M having paid more than she received, any overpayments should be refunded along with 8% simple interest calculated from the date the overpayments were made to the date of settlement\*

(b)if any capital balance remains outstanding, Loans 2 Go must arrange an affordable repayment plan with Miss M

Remove any negative information relating to the loan from Miss M's credit file

\*HMRC require Loans 2 Go to take tax off this interest. Loans 2 Go must give Miss M a certificate showing how much tax has been deducted if she asks for one.

### **My final decision**

My final decision is that I uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 6 April 2023.

Emma Davy  
**Ombudsman**