

The complaint

Ms A complains that Loans 2 Go Limited (“L2G”) provided her with a number of unaffordable logbook loans (“loans”).

Ms A is represented in her complaint by a third party. However, I will simply refer to Ms A throughout this decision rather than Ms A and her representative.

What happened

Ms A applied for, and was granted by L2G, the following loans all repayable (everything else being equal) over 36 months:

Loan	Advance Date	Advance Amount	Notes	Monthly Instalment	Repaid Date	Amount Repaid
1	19/05/15	£400.00		£51.11	15/10/15	£600.00
2	15/10/15	£600.00	£344.45 used to clear loan 1	£82.67	10/02/16	£864.00
3	10/02/16	£800.00	£533.32 used to clear loan 2	£110.22	10/08/16	£1,416.00
4	10/08/16	£950.00	£745.78 used to clear loan 3	£130.89	10/03/17	£1,681.50
5	10/03/17	£1,200.00	£887.83 used to clear loan 4	£165.33	14/06/17	£1,728.00
6	14/06/17	£1,450.00	£1,232.01 used to clear loan 5	£199.78	14/11/17	£2,407.00
7	14/11/17	£1,900.00	£1,607.88 used to clear loan 6	£261.78	06/07/20	£9,114.03

In September 2021 Ms A complained to L2G that it shouldn’t have granted her loans 2 to 7 on the grounds they were unaffordable.

In October 2021 L2G issued Ms A with a final response letter (“FRL”). Under cover of this FRL L2G said it didn’t believe it had done anything wrong in granting any of the loans.

Ms A’s complaint was considered by one of our investigators who found that L2G shouldn’t have granted loans 6 and 7, but it had done nothing wrong in granting loans 2 to 5. She also outlined what L2G should have to do to fairly and reasonably compensate Ms A for granting her loans 6 and 7.

Ms A didn’t respond to the investigator’s view and L2G responded to say it disagreed with it. And because of the latter, Ms A’s complaint has been passed to me for review and 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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Ms A's complaint.

L2G had to assess the lending to check if Ms A could afford to pay back the amounts she'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. L2G's checks could have considered a number of different things, such as how much was being lent, the size of the repayments, and Ms A's income and expenditure.

L2G was required to establish whether Ms A could sustainably repay the loans – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Ms A was able to repay her loans sustainably. But it doesn't automatically follow that this is the case.

Ms A didn't respond to the investigator's view so it's not clear whether she accepts what she said, that being L2G shouldn't have granted loans 6 and 7, but it did nothing wrong in granting her loans 2 to 5. But having considered everything the parties have said and submitted I can confirm that I've come to the same outcome as the investigator and for the same reasons.

loan 1

Ms A hasn't complained about this loan, so I make no comment or finding on it in this decision.

loans 2 to 3

Given the sums applied for, granted and when, and given the checks L2G have been able to demonstrate it undertook in respect of these two loans I'm satisfied that it did enough to satisfy itself that Ms A would be able to repay these two loans in a sustainable way and it did nothing wrong in granting them.

loans 4 and 5

Given the sums applied for, granted and when, and given the checks L2G have been able to demonstrate it undertook in respect of these two loans I'm satisfied that it didn't do enough to satisfy itself that Ms A would be able to repay these two loans in a sustainable way. In other words, it should have carried out additional checks.

But, to assess what it is that L2G may have found in relation to Ms A's financial position if it had carried out further checks, then I'd need to see additional information from Ms A. But no financial details or documents to support her complaint have been sent to us. So, using the evidence that has been provided by the parties, I can confirm I'm satisfied I can't reasonably conclude that L2G did anything wrong in granting these two loans.

loan 6

In respect of this loan, it appears that L2G completed an income and expenditure form, asked for, received and reviewed a recent bank statement and undertook a credit check.

Having considered the information L2G obtained (and referred to above) I must say I've some reservations about the conclusion it reached that Ms A could sustainably repay this loan. But even if I wasn't of this view, like the investigator, I'm satisfied that given:

- this loan was the sixth Ms A had applied for in 27 months
- there were no gaps in Ms A's borrowing between May 2015 (when loan 1 was granted) and June 2017 (when loan 6 was applied for)
- Ms A had never paid more than £70 (in capital) off her previous loans by way of monthly payments
- Ms A had never paid more than 15% (in capital) off her previous loans by way of monthly payments
- immediately before being granted loan 6 Ms A had already made repayments totalling over £2,500 for a net total loan advance of less than £1,500
- by taking loan 6 Ms A, everything else being equal, would have been indebted to L2G for a further 36 months in addition to the 27 she had already been indebted to it
- the monthly repayment on loan 6 was almost four times the monthly repayment on loan 1
- had loan 6 run its full term, and had Ms A made each and every monthly repayment required of her, she would have ended up repaying over £8,500 for a net total loan advance of less than £1,700

leads me to conclude that L2G acted irresponsibly in granting this loan because it was increasing Ms A's indebtedness in a way that was unsustainable or was otherwise harmful to her.

loan 7

For the same and/or similar reasons as to why I found loan 6 shouldn't have been granted to Ms A, I find L2G shouldn't have granted loan 7 to her either.

Putting things right

Because I've found that L2G shouldn't have advanced loans 6 and 7 (but it did nothing wrong in granting loans 2 to 5) then to fairly and reasonably compensate Ms A I find that it must:

- remove all interest, fees and charges applied to loans 6 and 7
- treat all payments made by Ms A (against loans 6 and 7) as payments towards the capital amounts of them
- refund to Ms A all payments she made (against loans 6 and 7) in excess of the capital amounts together with 8% simple yearly interest from the date each payment was made to the date of settlement*
- remove any negative information it has recorded with one or more credit reference agencies in respect of loans 6 and 7

*HM Revenue & Customs requires Loans 2 Go Limited to take off tax from this interest. Loans 2 Go Limited must give Ms A a certificate showing how much tax it's taken off if she asks for one.

My final decision

My final decision is that Loans 2 Go Limited must compensate Ms A as outlined by me above under the heading 'Putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or

reject my decision before 1 May 2023.

Peter Cook
Ombudsman