

The complaint

Mr H complains that Loans 2 Go Limited lent to him irresponsibly.

What happened

In September 2021, Mr H applied for and received the following loan from Loans 2 Go:

Date	Amount	Term	Monthly repayment	Interest rate (APR)	Total repayable
29 Sept 2021	£800	18 months	£164.44	769.9%	£2,159.92

He says that Loans 2 Go failed to carry out appropriate checks before agreeing to lend to him and didn't properly explain the interest rate. If it had carried out proper checks, he says it would have highlighted problem debt and, if it had checked his bank statements, noticed a gambling problem. He complained to Loans 2 Go saying the loan wasn't affordable for him and it ought to have refused to lend to him.

Loans 2 Go rejected his complaint. It said it had followed its usual process of checking a credit reference agency to review Mr H's credit file and verify his income. It also uses information provided by the Office for National Statistics (ONS) to check what the applicant has declared as their expenditure. It said it was satisfied with the information Mr H had declared and it had obtained itself, and felt the loan was affordable at the outset.

Mr H disagreed with Loans 2 Go and referred his complaint to us. One of our investigators looked into it. He felt Loans 2 Go ought to have carried out further checks on Mr H's application by, for example, checking some bank statements. But he said if it had done so, it would likely have reached the same decision to lend. So our investigator didn't uphold Mr H's complaint.

Loans 2 Go accepted what our investigator said, but Mr H didn't. As there was no agreement, 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.

Having done so I agree with our investigator. Let me explain why.

We've set out our approach to complaints about unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.

Loans 2 Go needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Mr H irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did Loans 2 Go carry out reasonable and proportionate checks to satisfy itself that Mr H was in a position to sustainably repay the loan?
- If not, what would reasonable and proportionate checks have shown at the time and did Loans 2 Go make a fair lending decision?
- Did Loans 2 Go act unfairly or unreasonably towards Mr H in some other way?

These checks are not about Loans 2 Go assessing the likelihood of it being repaid, but it had to consider the impact of the loan repayments on Mr H. There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the loan, the amount of the monthly repayments and Mr H's circumstances.

Did Loans 2 Go carry out reasonable and proportionate checks?

Loans 2 Go says it carried out its usual checks and was satisfied the loan was affordable for Mr H. But a lender is not simply obliged to ensure any lending is affordable for the borrower on a pounds and pence basis. It must also ensure the money can be repaid on a sustainable basis; that is, the borrower should be able to repay the credit without undue difficulty, while being able to meet other commitments and without having to borrow further.

In this case, Loans 2 Go asked Mr H for details of his income and expenditure and compared that to information held by a credit reference agency and statistics provided by the ONS. As a result it was satisfied on a pounds and pence basis that the loan was affordable. But I don't think it fully considered all the information it obtained as a result of its checks.

Mr H's credit file from the time shows six defaults and another account five months in arrears. While the most recent default was approximately a year prior to this loan, they were all within four years. He had over £6,000 of active debt and around £1,800 of debt in default. This shows Mr H had encountered difficulties repaying money he'd borrowed.

I acknowledge Loans 2 Go specialises in lending to people with impaired credit files. But I think the volume and nature of the defaults and other adverse information ought to have led it to examine Mr H's income and expenditure closely to ensure he'd be able to repay this new loan on a sustainable basis.

Loans 2 Go relied on the statistical data it obtained to work out his expenditure. But this is based on national averages – so inevitably some will spend more than the average, others less. Given the issues with his credit file, I think it ought to have done more to check his income and expenditure rather than relying just on an average. It follows that I don't think the checks it carried out were reasonable and proportionate in the circumstances.

What would reasonable and proportionate checks have shown at the time and did Loans 2 Go make a fair lending decision?

I don't think Loans 2 Go carried out thorough enough checks, but it's not for me to tell it what it should have done. I think a reasonable way to have checked Mr H's income and expenditure may have been to check his bank statements for a few months prior to his application. Mr H has provided those to us after raising his complaint.

I've looked carefully at the statements and thought about what Loans 2 Go would have found had it requested them at the time. I can see his income is in line with that which he declared on his application.

The statements show he made a regular payment of £650 to a family member for rent and bills, and he had a repayment to an existing loan of £118. The remainder of his income was

spent largely on non-essential leisure items. There is evidence of some gambling transactions, but these are relatively small. Overall, his account was reasonably well run, and he incurred no charges or had items unpaid.

Overall, if Loans 2 Go had carried out further checks such as reviewing his bank statements, I'm not persuaded it would have discovered anything which ought to have led it to believe Mr H would be unable to meet this new commitment on a sustainable basis. It follows that I don't think its decision to lend to Mr H was unfair.

Did Loans 2 Go act unfairly or unreasonably towards Mr H in some other way?

Mr H complained that Loans 2 Go didn't properly explain the interest rate for this loan. But I can see the credit agreement clearly sets out the rate applicable, the total cost of credit and the amount and number of repayments. Mr H signed the agreement confirming his acceptance of the loan on those terms. I think Loans 2 Go provided him with the appropriate information, but if he didn't understand anything, he ought to have asked for further explanation. I can't see that he did.

I've carefully read and thought about all the evidence provided by each party to this complaint. Having done so, I don't think Loans 2 Go has acted unfairly or unreasonably towards Mr H in some other way.

If Mr H has found himself in financial difficulty, he should work with Loans 2 Go to find a suitable repayment plan. I remind Loans 2 Go of its obligation to treat customers fairly.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 23 June 2023.

Richard Hale
Ombudsman