

The complaint

Mr H complains that Loans 2 Go Limited lent to him irresponsibly. He has said that he was given a loan having just taken a high interest loan and having multiple large debts.

What happened

Mr H was approved for one loan on 16 July 2022 and complained to Loans 2 Go a few weeks later on 25 August 2022. The loan was for £1,500 over 104 weeks. It was due to be repaid with £202 each month from Mr H commencing 31 July 2022 until 30 June 2024. The total to pay was scheduled to be £4,848.

After Mr H had complained he received a final response letter (FRL) from Loans 2 Go dated 9 September 2022 in which it said that it did not think it had done anything wrong, but to help Mr H it offered to reduce the interest figure on the outstanding balance by 50% which brought the overall balance to pay down to £2,770.

Mr H rejected this and referred his complaint to the Financial Ombudsman Service on 7 November 2022.

In follow-up emails between Mr H and Loans 2 Go around 8 November 2022 it further reduced the amount Mr H was to pay. This appears to have been offered after Mr H had sent to Loans 2 Go sets of bank account statements which Loans 2 Go recognised as including lots of betting and gaming transactions. Loans 2 Go said it would reduce the outstanding interest due to it by 75% which led to the proposed outstanding balance being £1,529. This was offered as a 'full and final' settlement deal to resolve the complaint.

Mr H appears to have rejected this as well. In February 2023 Mr H told us that he had settled the loan with Loans 2 Go that month. We made enquiries and it seems that the 75% reduction in interest offer had been withdrawn. But Mr H had settled the outstanding balance as an early settlement deal, not in relation to any offers made in the FRL or any follow-up emails.

In that email to us Mr H added to his complaint points which are set out here:

- the interest Loans 2 Go had been charging was crippling and
- his credit file had a series of 'queries' ('Q') marked against it for this loan:

'I have also noted on my credit file, they have marked all payments as queried despite never missing a payment. This is effecting [sic] my credit rating.'

One of our adjudicators looked at the complaint and wrote to both parties to say that in her view the loan ought not to have been lent to Mr H.

Our adjudicator thought that there were clear signs Mr H was not managing his money and that Loans 2 Go ought to have carried out further checks. Having done that she felt that Loans 2 Go ought to have realised that he would have been unable to repay the loan sustainably.

Loans 2 Go disagreed and gave reasons as to why it considered that. I have read them all. It said that it had verified and reduced his income to use in its assessment and had calculated that after the £202 monthly payment to it, Mr H would still have had £200 left over.

Loans 2 Go accepted that there were a high level of credit commitments, but it did not agree that the loan was unaffordable or unsustainable. And the Loans 2 Go submission included a point that it was unlikely the loan application would have been rejected because Mr H was making use of an agreed overdraft facility.

A second view was required from our adjudicator concerning the ‘crippling interest’ point and the ‘Q’ marks on Mr H’s credit file. These were points raised by Mr H. Our adjudicator did not uphold either of those. Mr H has not responded to that second view. Loans 2 Go has said it will wait for the ombudsman’s 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.

Irresponsible lending

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

Taking into account the relevant rules, guidance and good industry practice, what I need to consider in deciding what’s fair and reasonable in the circumstances of this complaint are whether Loans 2 Go completed reasonable and proportionate checks to satisfy itself that Mr H would be able to repay in a sustainable way? And, if not, would those checks have shown that Mr H would’ve been able to do so?

If I determine that Loans 2 Go did not act fairly and reasonably in its dealings with Mr H and that he has lost out as a result, I will go on to consider what is fair compensation.

The rules and regulations in place required Loans 2 Go to carry out a reasonable and proportionate assessment of Mr H’s ability to make the repayments under this agreement. This assessment is sometimes referred to as an “affordability assessment” or “affordability check”.

The checks had to be “borrower” focused – so Loans 2 Go had to think about whether repaying the loan would be sustainable and/or cause significant adverse consequences for Mr H. In practice this meant that Loans 2 Go had to ensure that making the payments to the loan wouldn’t cause Mr H undue difficulty or significant adverse consequences.

In other words, it wasn’t enough for Loans 2 Go to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mr H. Checks also had to be “proportionate” to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a consumer’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 *greater* the number and frequency of loans, and the longer the period during which a customer has been given loans (reflecting the risk that repeated

refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr H's complaint.

In the FRL Loans 2 Go had said

'...you declared your monthly income as £2,150.00 we verified that you received a minimum of around £1,995.10 monthly via an online income verification tool.

Following an extensive review of your application and your credit file, we calculated your monthly expenses to be around £1,578.00. Therefore, the contractual loan repayment of £202.00 per month would have still been affordable.'

By contrast, Mr H had declared that he earned £2,150 a month and his outgoings were £895 of which only £300 a month was for credit commitments.

Loans 2 Go has explained that it knew these figures were wrong and had increased his figure for expenditure from £895 to £1,578 per month. This was a discrepancy of £683 each month. And whilst I appreciate that the figures Loans 2 Go said it used in its creditworthiness assessment still gave a margin of £200 to Mr H after it had factored in the Loans 2 Go loan costing £202 a month, still I feel it ought to have done more. As this was relatively slim margin and had been a large increase in the expenditure figure.

Loans 2 Go said that it had carried out credit checks at the time of Mr H's application. There were no records of any insolvencies or of any Judgments. Only two credit searches had registered in the previous six months which I consider to have been a low number. However, the record indicated that Mr H had opened 13 accounts in the previous 12 months which is about one a month and I'd consider that a relatively high number.

Mr H's total outstanding debt balance was £18,356 and he was 97% on his credit cards utilisation which I also consider relatively high.

The credit search Loans 2 Go had obtained did show a history of three sets of very poor repayments. These were on one credit card which closed in December 2021, another credit card for which he had an 'arrangement to pay' and closed in May 2021, and another credit card which closed in May 2020.

So, I consider that the combination of all these factors leads me to think that Loans 2 Go ought to have checked further into Mr H's financial situation. One way, but not the only way, to do this would have been to check Mr H's bank account situation.

Mr H has sent to us his bank account statements for May, June and July 2022 and these cover three different accounts Mr H took the loan on 16 July 2022 and so had Loans 2 Go checked his bank account statements for the month leading up to 16 July 2022 it would have found as follows:

- he was close to his bank account overdraft limit of £500 for Bank account 1
- his Bank account 2 had hardly anything in it – 31 May 2022 balance was £20.90
- Bank account 3 was close to its overdraft of £1,500
- He used a 'buy now pay later' account a lot, and had a Flex credit facility with Bank account 3
- Bank account 3 was the one used to spend money on betting and gaming regularly, and as one example Mr H spent around £700 in a week, and another example Mr H spent around £400 in two days.

So, if Loans 2 Go had done what I would have expected it to have done for a loan of this nature and with a 24 month term, then I think it would have found the true situation with Mr H's finances and realised he'd not be able to afford this loan over that 24 month period.

I uphold Mr H's complaint.

High interest

Whether Loans 2 Go charged high or low interest on loans is not a matter that we at the Financial Ombudsman Service would usually look into. Loans 2 Go's policy is not a matter for us.

Having said that, I see that Loans 2 Go in its FRL explained the interest situation and what it had said in the agreement clearly and I refer Mr H to that. And I note that our adjudicator's view was that the interest charges were made clear to Mr H when signing up for the loan and so on that point I agree with her. I consider that Mr H knew what he was going to have to pay going forward when he agreed to the loan.

I do not uphold this part of Mr H's complaint.

Q marks on Mr H's credit file

Mr H says that these 'Q' marks registered on his credit file for this loan are having an impact on his credit rating, but he has not sent in any evidence to demonstrate how that has impacted on it. So, I can't accept that it has following one assertion in one email.

In any event, we asked Loans 2 Go about these markers and it has explained that they relate to Mr H having raised a complaint and so it was right to report it as a Query. It said:

'Please be advised that, a "Q" status is in effect a "NULL" status. It has no impact whatsoever, positive or negative.'

And in the absence of evidence to the contrary I am of the same view.

I do not uphold this part of Mr H's complaint.

Putting things right

My understanding is that Mr H paid off the loan in February 2023.

Loans 2 Go needs to do as follows:

- refund all interest and charges Mr H paid on the loan;
- pay interest of 8% simple interest* a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement;
- remove any negative information about the loan from Mr H's credit file, and for the avoidance of doubt, include removal of the 'Q' marks as well.

*HM Revenue & Customs requires Loans 2 Go to deduct tax from this interest. It should give Mr H a certificate showing how much tax it has deducted if he asks for one.

My final decision

My final decision is that I uphold the complaint in part and I direct that Loans 2 Go Limited does as I have indicated in the 'putting things right' part of the decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 1 June 2023.

Rachael Williams
Ombudsman