

The complaint

Mr F complains that Loans 2 Go Limited was irresponsible to lend to him.

What happened

Mr F had one loan from Loans 2 Go in July 2021 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Monthly Repayment</u>	<u>Due</u>	<u>Repaid</u>
1	7 Jul 2021	£3,000	24m	£362	7 Jul 2023	In arrears

Mr F says the loan should never have been approved and that Loans 2 Go was dismissive and showed no empathy when he complained. He says the repayments were unaffordable and his poor credit record should have alerted Loans 2 Go to that. Mr F also adds that the interest rate was excessive and that payments were taken after he'd complained.

Loans 2 Go says it carried out a credit check, verified Mr F's income and calculated his disposable income. It says the checks showed the repayments were affordable to him, but, as a gesture of goodwill, it initially offered to reduce the interest on the loan by 20%. It then increased its offer to 50%, but Mr F declined.

Our investigator recommended the complaint should be upheld. He found that Loans 2 Go's checks indicated that Mr F was already struggling financially, and the new lending should not have been approved. Our investigator said that Loans 2 Go should refund any interest and charges on the loan and that adverse information should be removed from his credit file.

Loans 2 Go responded to say, in summary, that the credit check showed Mr F was managing his finances with no adverse information. It said it had no reason to carry out further checks.

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.

I need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Mr F's case, I have considered the following questions:

- Did Loans 2 Go complete reasonable and proportionate checks when assessing Mr F's loan application to satisfy itself that he would be able to repay the loan in a sustainable way?
 - If not, what would reasonable and proportionate checks have shown?
- Did Loans 2 Go make a fair lending decision?
- Did Loans 2 Go act unfairly or unreasonably in some other way?

When Mr F applied for the loan, I've seen evidence to show Loans 2 Go asked about his financial circumstances, checked his credit file and verified his income. However, I'm not satisfied that these checks went far enough because:

- The loan was for a period of 24 months and Loans 2 Go needed to ensure the repayments were sustainable over that period;
- Mr F had declared his monthly income was £4,000, but Loans 2 Go's checks showed it to be around £2,200;
 - Loans 2 Go had also recorded that he was self-employed and received his income fortnightly in cash;
- Mr F said his total expenditure was just £205 per month, including no spend on credit, although Loans 2 Go estimated it to be around £1,430;
- Although Mr F's accounts were up to date, the credit check showed:
 - Four credit cards with a combined balance of around £4,800;
 - Two overdrafts totalling £1,670 - one of which was over its limit;
 - A hire purchase agreement with monthly repayments of £168;
 - Monthly insurance payments of £77;
- Mr F was already committed to paying around 22% of his verified income on credit repayments – this rose to over 38% with the new loan.

As Mr F was committing a significant amount of his income to credit repayments, and his declarations about his income and expenditure were clearly inaccurate, I find proportionate checks should have included Loans 2 Go getting a better understanding of Mr F's financial situation, including his regular income and expenditure each month.

I've looked at Mr F's bank statements from the relevant period, as a reasonable proxy for what proportionate checks may have shown. These show:

- Mr F received a Covid grant on 7 May 2021, but his regular income (received in cash) was about £720 per month in May and June, with a further monthly benefit payment of £340;
- In addition to his credit repayments, Mr F was paying HMRC £245 per month and his mobile phone cost £50;
- In the two months leading up to the loan, Mr F had had multiple direct debits returned unpaid;

Given Mr F was already committed to credit repayments of over £470, it is clear that a further repayment of £362 each month was unaffordable to Mr F. The returned direct debits already indicated Mr F was struggling financially and I consider proportionate checks would

have shown Loans 2 Go that further lending was irresponsible. Indeed, I note that Mr F first missed a payment on 6 August 2021.

I've also considered whether Loans 2 Go treated Mr F fairly when he got into financial difficulties. When Mr F contacted Loans 2 Go in February 2022 to explain he had limited income, it accepted reduced payments of £100 per month for three months. Following one contractual payment at the end of April 2022, further reduced payments were accepted until August 2022. Mr F made a contractual payment in September 2022 after which he raised his complaint about irresponsible lending in early October 2022. I accept Mr F says Loans 2 Go should not then have taken a payment later in October, but I don't find it did anything wrong in that respect as I can't see Mr F requested payments to stop. I also find Loans 2 Go acted reasonably by accepting reduced payments when it did.

So, based on all the evidence, I find Loans 2 Go did not make a fair lending decision for the loan, although I can't see it acted unfairly in any other way.

My final decision

My decision is that I uphold this complaint. Loans 2 Go Limited should:

- Add up the total amount of money Mr F received as a result of having been given the loan. The repayments Mr F made should be deducted from this amount.
 - If this results in Mr F having paid more than he received, then any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). *
 - If any capital balance remains outstanding, then Loans 2 Go should attempt to arrange an affordable and suitable payment plan with Mr F;
- Remove any negative information recorded on Mr F's credit file regarding the loan.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 21 August 2023.

Amanda Williams
Ombudsman