

## The complaint

Mr M complains that Loans 2 Go Limited lent to him when it shouldn't have.

## What happened

I issued a provisional decision in May 2023 where I set out a detailed background to this complaint. That decision should be read in conjunction with this as it forms part of my final decision.

In my provisional decision I explained I was inclined to reach the conclusion that Loans 2 Go shouldn't have lent to Mr M.

The key aspects of my provisional decision are copied below in italics.

*"I've considered the checks Loans 2 Go carried out and I think there were a number of concerns from its checks. Mr M had taken out three loans within three weeks of this loan, this was now the fourth loan within a month. Mr M's credit file suggests he was managing his credit commitments well but from what I can see, Mr M was repaying £688 towards loans, and he had a credit card that was slightly over its limit, including the repayment of this loan, Mr M would repay around £832 towards credit commitments each month.*

*I think that amount is high compared to the income Loans 2 Go says it verified for Mr M. I also think the number of loans Mr M had taken within a short space of time should have concerned Loans 2 Go about his ability to sustain his loan repayment over the term. So, I think Loans 2 Go should have been curious enough to take its checks further.*

*As I don't think Loans 2 Go's checks went far enough, I've thought about what it would likely have found had it taken its checks further. Mr M has provided copies of his bank statements for the three months prior to the loan. From what I can see, Mr M's income is closer to what he declared, in May and June 2022 his income was around £3,042, he earned slightly more in July 2022 - around £3,356. I can also see that in all three months he had gambling transactions leaving his account of over £10,000. In fact, in May and June Mr M's outgoing gambling transactions exceeded his income.*

*So, without considering his living costs here, I think it's clear Mr M's finances were not in a place where he should have been granted further borrowing as he appeared to be borrowing to fund a gambling habit. In these circumstances, the loan wasn't affordable, and Mr M couldn't repay the loan without undue difficulty over the term. I think that was borne out in the fact the loan account is now in arrears."*

Mr M had no further comments to add following my provisional decision, but Loans 2 Go responded. I've summarised its points below.

- Even though Mr M was over the limit on one of his credit cards, he was up to date on all his repayments.
- Given that Mr M had no defaults or judgements recorded against him, there was no reason for Loans 2 Go to request his bank statements.
- At the time of application, Loans 2 Go asked Mr M if he had a gambling or drug addiction and he said he didn't, so Loans 2 Go shouldn't be held responsible for Mr M making false statements.

### **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've also considered Loans 2 Go's response to my provisional decision. As Loans 2 Go would know the checks it needed to carry out were not prescriptive but needed to be borrower focussed. Loans 2 Go needed to check that Mr M would be able to repay the loan over the term without his suffering a negative financial impact. It wasn't enough for it to check it would get its repayments on the loan. It also isn't always sufficient for Loans 2 Go to simply rely on what a consumer tells it, and I don't think it was sufficient to do so in this case.

I acknowledged in my provisional decision that on the face of the checks Loans 2 Go carried out, Mr M was managing his credit commitments well. But I also said even with that well managed profile, he was repaying a significant amount of his income towards credit. Three of the credit accounts were opened within three weeks of this loan and this was now his fourth loan within a month.

In those circumstances, Loans 2 Go should have been concerned about Mr M's financial position and why he needed to take so much credit in a short space of time. I think there was enough evidence here that further checks were necessary.

In the absence of evidence that any further checks were carried out by Loans 2 Go, I relied on Mr M's bank statements from around the time of the loan. Mr M's statements show a significant gambling pattern and that made this loan unsustainable.

Had Loans 2 Go taken further steps to check that Mr M could repay this loan in line with regulation, I think it would likely have found it shouldn't have lent.

As Loans 2 Go has lent when it shouldn't have, it needs to put things right.

### **Putting things right**

- Treat all Mr M's payments as payments towards the capital amount of £800.
- If there are payments over the capital amount, then this should be returned to Mr M with 8% simple interest\* from the date of the payments to the date of settlement.
- But if there's still a balance outstanding, the Loan 2 Go should agree a suitable repayment plan with Mr M.
- Remove any negative information about the loan from Mr M's credit file once the capital has been fully repaid.

\*HM Revenue & Customs requires Loans 2 Go to deduct tax from the interest payment referred to above. Loans 2 Go must give Mr M a certificate showing how much tax it's deducted if he asks it for one.

**My final decision**

For the reasons given above, I uphold this complaint and direct Loans 2 Go Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 12 July 2023.

Oyetola Oduola  
**Ombudsman**