

The complaint

Mr M complains that the loan he had from Loans 2 Go Limited was unaffordable.

What happened

Mr M had one loan from Loans 2 Go on 9 August 2022, which is still outstanding, as outlined below:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Fortnightly Repayment</u>	<u>Due</u>
1	9 Aug 2022	£1,500	96w	£101	7 Jun 2024

Mr M says Loans 2 Go did not do enough checks before lending him the money as he was a student at the time, with a summer job. He says Loans 2 Go did not ask for payslips or bank statements and he's confident he would not have been approved had it done so. Mr M says the interest rate was excessive and Loans 2 Go did not respond to an email requesting the cancellation of the loan. He adds that his credit file has now been negatively impacted.

Loans 2 Go says it carried out a credit check, verified Mr M's income and calculated his disposable income. It says the checks showed the repayments were affordable to him, but it encouraged Mr M to get in contact regarding the arrears on the account.

Our investigator recommended the complaint should be upheld. She found that Loans 2 Go needed to carry out further checks before assessing the application, but that the available information indicated that Mr M 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 Mr M's credit report showed he was up to date with all his accounts and within the limits of his credit facilities. It says it had no reason to request further information and there was no evidence of financial difficulty.

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 M's case, I have considered the following questions:

- Did Loans 2 Go complete reasonable and proportionate checks when assessing Mr M'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 M 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 96 weeks and Loans 2 Go needed to ensure the repayments were sustainable over that period;
- Mr M had declared his monthly income was £3,000, but Loans 2 Go's checks showed it to be around £1,300;
 - Loans 2 Go had also recorded that he was employed full time and received his income fortnightly in cash;
- Mr M said his total expenditure was just £225 per month, including no housing costs;
- Although Mr M's accounts were up to date, the credit check showed:
 - Two overdrafts totalling £3,495 – both of which were at their limit;
 - A new credit card had been taken out six weeks earlier with a limit of £2,750, although no expenditure was yet showing;

As Mr M's income declaration was clearly inaccurate, his declared expenditure was very low, and his overdraft was almost three times his monthly income, I find proportionate checks should have included Loans 2 Go getting a better understanding of Mr M's financial situation. I also note that Mr M applied for the loan using a student email address.

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

- Very little income from employment – in fact Mr M has confirmed he had a summer job and the only income from that was £50 in the three months prior to the lending;
- Most of the income and expenditure was transfers in and out on the same day;
- Mr M had very few bills as he confirmed he was living with his parents and had no rent or other expenditure, except food and petrol;
- Mr M had taken out a £5,000 loan with another high cost lender on 22 June 2022 – the repayments on that were around £163 per month;

So I'm satisfied that if Loans 2 Go had carried out proportionate checks, it would have found the repayments were unsustainable for Mr M.

I've also considered what happened when Mr M requested the cancellation of the loan. I've seen evidence to show Loans 2 Go acknowledged that request and quoted Mr M a settlement figure. Mr M said he would call back to make the payment, but I can't see he made further contact in that regard.

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 M received as a result of having been given the loan. The repayments Mr M made should be deducted from this amount.
 - If this results in Mr M 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 M;
- Remove any negative information recorded on Mr M's credit file regarding the loan once it has been repaid.

* HM Revenue & Customs requires Loans 2 Go to take off tax from this interest. Loans 2 Go must give Mr M 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 M to accept or reject my decision before 14 September 2023.

Amanda Williams
Ombudsman