

## The complaint

Mr A, through a representative, says Loans 2 Go Limited irresponsibly lent to him.

## What happened

Mr A took out an 18-month instalment loan for £250 from Loans 2 Go on 18 July 2020. The monthly repayments were £57.14 and the total repayable was £1,028.52.

Mr A says Loans 2 Go failed to complete proportionate checks before lending to him and it should have done more.

Our investigator did not recommend the complaint should be upheld. He said Loans 2 Go carried out appropriate checks and based on the results, it was not wrong to lend to Mr A.

Mr A disagreed with this assessment and asked for an ombudsman's review, so the case was passed to me to make a decision.

I reached a different conclusion to the investigator so I issued a provisional decision. An extract follows and forms part of this final decision.

### *An extract from my provisional decision*

*I can see Loans 2 Go asked for some information from Mr A before it approved the loan. It asked for his monthly income and expenditure. It verified his declared income using a third-party tool. It reviewed his declared expenditure to ensure it was reasonable based on national statistics. It checked Mr A's credit file to understand his existing monthly credit commitments and credit history. From these checks combined Loans 2 Go concluded Mr A had enough disposable income for the loan to be affordable.*

*I think these checks were proportionate given the size and term of the loan and the cost of the monthly repayments relative to Mr A's declared income. But I don't currently think Loans 2 Go made a fair lending decision based on the information it gathered. I will explain why.*

*The credit check showed recent adverse data – an unsettled credit card default of £785 in the last six months. Mr A also had three active payday loans and he appeared to be reliant on such lending having taken out 11 such loans since the start of 2019. I accept he had repaid them all on time, but I think this pattern indicates in was a harmful cycle of borrowing to repay. I anticipate Loans 2 Go might argue this loan would allow him to repay his active payday loans and end that cycle, but there is no evidence that it asked about the purpose of this loan so it did not know that would be the case.*

*Based on the available evidence I am not persuaded Loans 2 Go met its obligation to consider the sustainability of the repayments for Mr A – rather it focused solely on the pounds and pence affordability. And I think there were clear indicators his finances were not stable; indeed I can see he went on to miss repayments very early in the term of this loan. It follows I think Loans 2 Go was wrong to lend to Mr A. I have not found any evidence it acted unfairly towards him in any other way.*

I then set out how Loans 2 Go would have to put things right if I upheld the complaint. I asked both parties to send any comments or new information by 21 June 2023.

Mr A did not respond. Loans 2 Go said it had no additional points to make.

### **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.

Our approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

As neither party submitted any new information I have no reason to change the findings or outcome I set out in my provisional decision.

It follows I find Loans 2 Go was wrong to lend to Mr A and must now put things right.

### **Putting things right**

I think it's fair and reasonable for Mr A to have repaid the capital that he borrowed, because he had the benefit of that money. But he has paid interest and charges on a loan that shouldn't have been provided to him.

So Loans 2 Go should:

- Refund all interest, fees and charges from the loan and treat all the payments Mr A made as payments towards the capital.
- As reworking Mr A's loan account will result in him having effectively made payments above the original capital borrowed, Loans 2 Go should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date of settlement\*.
- Remove any adverse information recorded on Mr A's credit file in relation to the loan.

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

### **My final decision**

I am upholding Mr A's complaint and Loans 2 Go must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 20 July 2023.

Rebecca Connelley  
**Ombudsman**