

## **Complaint**

Mr S has complained about a personal loan Loans 2 Go Limited ("L2G") provided to him. He says the loans were unaffordable and were therefore irresponsibly lent to him.

## **Background**

L2G provided Mr S with a loan for £2,000.00 in May 2021. This loan had an APR of 277.9% and a term of 104 weeks. This meant that the total amount to be repaid of £5,791.76, including interest, fees and charges of £3,791.76, was due to be repaid in 104 weekly instalments of £55.69.

One of our adjudicators reviewed Mr S' complaint and that thought that it didn't do anything wrong when providing Mr S with his loan. So she didn't recommend that Mr S' complaint be upheld.

Mr S disagreed with our adjudicator's assessment. So the case was passed to an ombudsman as per the next step of our dispute resolution process.

## **My provisional decision of 7 August 2023**

I issued a provisional decision – on 7 August 2023 - setting out why I intended to uphold Mr S' complaint. I won't copy that decision in full, but I will instead provide a summary of my findings.

I started by explaining that we've explained how we handle complaints about unaffordable and irresponsible lending on our website. And that I had used this approach to help me provisionally decide Mr S' complaint.

L2G needed to make sure it didn't lend irresponsibly. In practice, what this means is L2G needed to carry out proportionate checks to be able to understand whether Mr S could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

I was concerned that L2G's own checks showed that Mr S' income was significantly less than half than the £2,500.00 he declared. Furthermore, the amount being advanced was almost twice Mr S' monthly income and the payments for this agreement alone would be taking up close to 20% of Mr S' income.

The credit search carried out also appeared to show that Mr S had had difficulties paying his utilities too. He had one account that was more than six months in arrears and another that had been in a similar position but had since been brought up to date. Bearing all of this in mind, I was satisfied that L2G needed to find out more about Mr S' actual monthly expenditure before concluding that the payments to this loan were affordable for him.

Mr S had provided us with evidence of his financial circumstances at the time he applied for his loan. I accepted that different checks might show different things. And just because something showed up in the information Mr S provided, it didn't mean it would have shown up in any checks L2G might have carried out.

But in the absence of anything else from L2G showing what this information would have shown, I thought that it was perfectly fair, reasonable and proportionate to place considerable weight on what this information said as an indication of what Mr S' financial circumstances were more likely than not to have been at the time.

I thought that it was also important to note that L2G was required to establish whether Mr S could sustainably make his loan repayments – not just whether the loan payments were technically affordable on a strict pounds and pence calculation. The loan payments being affordable on a strict pounds and pence basis might have been an indication that a consumer could sustainably make the repayments.

But it didn't automatically follow that this was the case. And as a borrower shouldn't have to borrow further in order to make their payments, I thought that it followed that a lender should realise, or that it ought fairly and reasonably to have realised, that a borrower wouldn't be able to sustainably make their repayments if it was on notice that they were unlikely to be able to make their repayments without borrowing further.

I carefully considered the information available in light of all of this.

The information provided showed that the reason for Mr S' indebtedness and apparent inability to manage his money. Given what I was, it was apparent to me that Mr S was unlikely to have been able to repay this loan without borrowing further or experiencing financial difficulty.

As this was the case, I do think that Mr S' existing financial position meant that he was unlikely to be able to afford the repayments to these loans, without undue difficulty or borrowing further. And I was satisfied that reasonable and proportionate checks would more likely than not have shown L2G that it shouldn't have provided this loan to Mr S. As L2G provided Mr S with this loan, notwithstanding this, I was minded to conclude that it failed to act fairly and reasonably towards him. And I concluded by setting out that it was therefore my intention to uphold this complaint.

I then set out a method of putting things right which I thought addressed L2G's failings and Mr S' resulting loss.

## **Responses to my provisional decision**

Mr S confirmed that he agreed with my provisional decision and that he had nothing further to add.

L2G also confirmed receiving my provisional decision. It also confirmed that it agreed with my provisional decision and that it had nothing further to add.

## **My findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I set out in some detail why I intended to uphold Mr S' complaint in my provisional decision of 7 August 2023. As I've not been provided with anything further by the parties to consider, I've not been persuaded to alter my conclusions. So I'm still upholding Mr S' complaint about and I remain satisfied that L2G needs to put things right.

## **Fair compensation – what L2G needs to do to put things right for Mr S**

Having thought about everything, I'm satisfied that L2G should put things right for Mr S by:

- removing all interest, fees and charges applied to the loan from the outset. The payments Mr S made, whether to L2G or any third-party debt purchaser, should be deducted from the new starting balance – the £2,000.00 originally lent. If Mr S has already repaid more than £2,000.00 then L2G should treat any extra as overpayments. And any overpayments should be refunded to Mr S;
- adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Mr S to the date of settlement†
- if no outstanding balance remains after all adjustments have been made, all adverse information L2G recorded about this loan should be removed from Mr S' credit file.

† HM Revenue & Customs requires L2G to take off tax from this interest. L2G must give Mr S a certificate showing how much tax it has taken off if he asks for one.

## **My final decision**

For the reasons I've explained above and in my provisional decision of 7 August 2023, I'm upholding Mr S' complaint. Loans 2 Go Limited should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 September 2023.

Jeshen Narayanan  
**Ombudsman**