

Complaint

Miss M has complained about a loan Loans 2 Go Limited ("L2G") provided to her. She says the loan was unaffordable.

Background

L2G provided Miss M with a loan for £1,500 in July 2022. This loan had an APR of 320% and was due to be repaid in 24 monthly instalments of £202.

One of our adjudicators reviewed Miss M's complaint and he thought L2G hadn't done anything wrong or treated Miss M unfairly. So he didn't think that Miss M's complaint should be upheld.

Miss M disagreed so the case was passed to an ombudsman.

My provisional decision of 21 August 2023

I issued a provisional decision – on 21 August 2023 - setting out why I intended to uphold Miss M'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 Miss M'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 Miss M 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 mindful that L2G determined that Miss M's income was significantly lower than she'd declared. And the credit check it carried out showed Miss M had a number of defaults and other accounts with relatively recent late payments.

So I thought that it was clear Miss M didn't fit the profile of the average borrower and I was persuaded by what Miss M had said about already being in a difficult financial position at the time. I did accept that it was possible Miss M's credit file reflected her choices rather than financial difficulties.

But I thought that this was unlikely bearing in mind my experience of these types of cases. In any event, I was satisfied that further checks would more like than not have shown that Miss M wouldn't have been able to repay this loan without experiencing undue difficulty or borrowing further.

All of this left me satisfied that reasonable and proportionate checks would more like than not have shown L2G that it shouldn't have provided this loan to Miss M. And as L2G provided Miss M with this loan, notwithstanding this, I was minded to conclude that it failed to act fairly and reasonably towards her.

Miss M ended up paying (and was still being expected to pay) interest, fees and charges on a loan she shouldn't have been provided with. So it was my intention to find that Miss M lost out because of what L2G did wrong and that it needed put things right.

Responses to my provisional decision

Miss M didn't provide anything further in response to my provisional decision.

L2G confirmed receiving my provisional decision. It said that it had nothing further to add and that it would await my final decision.

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've read and considered all the evidence and arguments available to me from the outset, in order to decide what is, in my opinion, fair and reasonable in all the circumstances of the case.

I set out in some detail why I intended to uphold Miss M's complaint in my provisional decision of 21 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 Miss M's complaint and I remain satisfied that L2G needs to put things right.

Fair compensation – what L2G needs to do to put things right for Miss M

Having thought about everything, I think that it would be fair and reasonable for L2G to put things right for Miss M by:

- removing all interest, fees and charges applied to the loan from the outset. The payments Miss M made, whether to L2G or any third-party debt purchaser, should be deducted from the new starting balance – the £1,500.00 originally lent. If Miss M has already repaid more than £1,500.00 then L2G should treat any extra as overpayments. And any overpayments should be refunded to Miss M;
- adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Miss M 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 Miss M's credit file.

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

I'd also remind L2G of its obligation to exercise forbearance and due consideration if it intends to collect on an outstanding balance, should it buy the debt back from any third-party debt purchaser and one remains, after all adjustments have been made to the account and it's the case that Miss M is experiencing financial difficulty.

My final decision

For the reasons I've explained above and in my provisional decision of 21 August 2023, I'm upholding Miss M'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 Miss M to accept or reject my decision before 3 October 2023.

Jeshen Narayanan
Ombudsman