

The complaint

Mr G complains that Loans 2 Go Limited ("L2G") lent him a loan when it shouldn't have. Mr G says he didn't understand the product he was being lent. To put things right, Mr G wants the loan written off or at least the interest and charges removed.

What happened

L2G lent Mr G a loan in May 2022, the loan was for £1,500 repayable in 24 monthly instalments of £202. Mr G hasn't kept up with the repayment of his loan and the loan is still active.

L2G didn't think it was wrong to lend so it didn't uphold Mr G's complaint but offered to reduce the interest on the balance of his loan by 15%. Mr G didn't accept the offer and asked the Financial Ombudsman Service to look into his complaint.

One of our adjudicators looked at what both parties said and thought L2G should have done more before lending to Mr G and had it carried out reasonable checks in the circumstances, it would likely have found Mr G wasn't in a financially sustainable position to afford the loan.

L2G disagreed with the adjudicator, it said there were no concerns raised from its checks that should have prompted it to take its checks further.

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.

We've set out our general approach to complaints about high-cost lending - including all of the relevant rules, guidance and good industry practice - on our website.

L2G needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out reasonable checks to make sure Mr G could repay the loan without borrowing further or suffering adverse financial consequence. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

From the information provided, L2G asked Mr G about his income, monthly living costs and credit commitments. It also searched Mr G's credit file. L2G says although Mr G declared his monthly income as £3,600, its checks found that his income was around £2,535.98 and his living expenses including credit commitments were around £1,973.83, although Mr G had declared these as £650.

In my opinion, there is a significant difference between what Mr G declared as his monthly income and expenses, and what L2G says it found through its credit reference agency checks. I think it would have been reasonable for further verification of Mr G's financial circumstances at the time.

For instance, Mr G declared his monthly credit commitments to be £250 but the results of the credit search showed Mr G was paying more than that. The credit search also shows Mr G had borrowed almost every month before this loan. Mr G borrowed a loan in January 2022, another in February 2022 and two loans in March 2022. I think there should have been some curiosity on the part of L2G about why Mr G appeared to be borrowing consecutively and the disparity between the figures he declared and what L2G could see.

So, given these concerns, it would have been reasonable for L2G to have taken its checks further to get a clearer picture of Mr G's circumstances. To help understand his circumstances at the time, Mr G has provided copies of his bank statements and from what I can see, Mr G was gambling more than £1,300 monthly, he was also borrowing from several lenders and was reliant on credit.

Had L2G carried what I consider to be proportionate and reasonable checks in the circumstances of this case, it would likely have found Mr G was reliant on borrowing and his finances weren't in a sustainable place for further borrowing. I think it has lent to Mr G when it shouldn't have and it needs to put things right.

Putting things right – what L2G needs to do

- Remove all interest, fees and charges added to the loan.
- Treat all payments Mr G has made as payments towards the capital loan amount of £1,500.
- There's likely to be an outstanding balance, L2G should work with Mr G to agree a suitable repayment plan.
- Remove any negative information about loans from Mr G's credit file once the capital has been repaid.

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 G to accept or reject my decision before 7 November 2023.

Oyetola Oduola
Ombudsman