

Complaint

Mr F has complained about a loan Loans 2 Go Limited ("L2G") provided to him. He says the loan was unaffordable.

Background

L2G provided Mr F with a loan for £250 in December 2019. The loan had an APR of 1,013.2% and a 18-month term. This meant that the total amount to be repaid of £1,028.52, which included interest, fees and charges of £778.52, was due to be repaid in 18 monthly instalments of £57.14.

One of our adjudicators looked at this complaint and thought that L2G didn't act unfairly when providing this loan. Mr F disagreed with our adjudicator and so the case was passed forward for an ombudsman to review the complaint.

My provisional decision of 29 August 2023

I issued a provisional decision – on 29 August 2023 - setting out why I intended to uphold Mr F'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 F'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 thought that L2G have may argued that the relatively low payments meant that a light touch assessment was proportionate for Mr F's loan. But I was mindful that it didn't agree with the declaration of income that Mr F had provided. Furthermore, the credit checks it carried out showed Mr F had a history of payday loans, at least one account in an arrangement to pay and other defaulted accounts.

So I was persuaded by what Mr F had said about already being in a difficult financial position at the time. And I thought that while it was possible Mr F's credit file reflected his choices

rather than him struggling, I added that my experience of these types of cases suggest this was unlikely, I was satisfied that further checks would have been proportionate in this instance.

And I thought that if L2G had carried out further checks before providing these loans, it would have seen that Mr F was struggling to manage his finances. Indeed, most of his income was being taken up by his existing living costs and repayments to his existing commitments.

Bearing all of this in mind, I was satisfied that reasonable and proportionate checks would more likely than not have demonstrated that Mr F would not have been able to make the repayments to this loan without borrowing further and/or suffering undue difficulty.

And, in these circumstances, I thought that reasonable and proportionate checks would more likely than not have alerted L2G to the fact that Mr F was in no sort of position to make the payments to this loan without suffering significant adverse consequences.

As L2G provided Mr F with this loan, notwithstanding this, I was minded to conclude that it failed to act fairly and reasonably towards him. Mr F ended up paying interest, fees and charges on a loan he shouldn't have been provided with. So it was my intention to issue a final decision finding that Mr F lost out because of what L2G did wrong and that L2G should put things right.

Responses to my provisional decision

Mr F didn't provide anything further for me to consider.

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 F's complaint in my provisional decision of 29 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 F's complaint about and I remain satisfied that L2G needs to put things right.

Fair compensation – what I think L2G needs to do to put things right for Mr F

Having thought about everything, I'm satisfied that it would be fair and reasonable for L2G to put things right for Mr F by:

- refunding all interest, fees and charges Mr F paid on his loan;
- adding interest at 8% per year simple on any refunded payments from the date they were made by Mr F to the date of settlement†
- removing all adverse information about this loan from Mr F's credit file.

† HM Revenue & Customs requires L2G to take off tax from this interest. L2G must give Mr F 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 29 August 2023, I'm upholding Mr F'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 F to accept or reject my decision before 13 October 2023.

Jeshen Narayanan
Ombudsman