

## **Complaint**

Ms L has complained about loans Loans 2 Go Limited ("L2G") provided to her.

She says the loans were unaffordable.

## **Background**

L2G provided Ms L with a total of four loans. L2G initially provided Ms L with a logbook loan for £500 in April 2018. This loan had an APR of 599.3% and a term of 52 weeks. This meant that the total amount to be repaid of £1,160.12, including interest, fees and charges of £660.12, was due to be repaid in 52 weekly instalments of £22.31. This loan was settled in full in October 2018 with some of the proceeds from loan 2.

L2G then provided Ms L with a second logbook loan for £950 in October 2018. £263.65 from the proceeds of this loan went towards paying the outstanding balance on loan 1. This loan had an APR of 363.8% and a term of 36 months. This meant that the total amount to be repaid of £4,712.04, including interest, fees and charges of £3,762.04, was due to be repaid in 36 monthly instalments of £130.89. This loan was settled in full in May 2019 with some of the proceeds from loan 3.

In May 2019, L2G provided Ms L with a third logbook loan for £1,400.00. £754.40 went towards settling the outstanding balance on loan 2. This loan had an APR of 487.4% and a term of 36 months. This meant that the total amount to be repaid of £8,052.84, including interest, fees and charges of £6,652.84, was due to be repaid in 36 monthly instalments of £223.69.

Ms L was provided with a fourth and final loan for £500 in September 2021. This loan had an APR of 770% and a term of 18 months. This meant that the total amount to be repaid of £1,850.04, including interest, fees and charges of £1,350.04, was due to be repaid in 18 monthly instalments of £102.78.

One of our adjudicators reviewed Ms L's complaint and he concluded that L2G didn't do anything wrong when providing Ms L with her loans and so didn't recommend that the complaint be upheld. Ms L disagreed with the investigator's assessment and asked for an ombudsman's decision.

## **My provisional decision of 29 August 2023**

I issued a provisional decision – on 29 August 2023 - setting out why I intended to uphold Ms L'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 Ms L'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 Ms L 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.

L2G said that it agreed to Ms L's applications after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out and all of this information showed Ms L could afford to make the repayments she was committing to. On the other hand, Ms L said she couldn't afford these loans and so shouldn't have been lent to.

I was concerned that L2G's own checks in the lead up to loan 1 showed that she'd had recent difficulties repaying credit in the form of a number of accounts being in arrangements to pay. Ms L had also had previous difficulties in the form of historic defaults and a historic county court judgement ("CCJ") too.

I was also concerned that by the time of loan 2, Ms L's position hadn't improved much either. Ms L had gone on to default on a couple of accounts which had been in arrangements to pay at the time of loan 1. And not only was loan 2 for a larger amount than loan 1, it was also taken out before loan 1 had been repaid as well.

I thought that the position was even worse by the time of loans 3 and 4 as Ms L was taking out loans for an even larger amount with higher monthly repayments (in the case of loan 3) and in the case of loan 4 approaching for a loan on even more disadvantageous terms. This was also Ms L's fourth very expensive loan within the space of three and a half years.

Furthermore, Ms L owed other creditors even more than she did at the time she was provided with previous loans. Bearing in mind all of this, I was satisfied that L2G ought reasonably to have carried out further checks before providing any of these loans to Ms L.

I thought that further checks would have extended into finding out more about Ms L's expenditure. And I was persuaded that if L2G had done this, it would have seen that Ms L was already in a difficult financial position at the respective times and also found out why this was the case. I was also satisfied that reasonable and proportionate checks would more likely than not have shown L2G that Ms L's existing precarious financial position was because she was struggling financially.

So as reasonable and proportionate checks should have extended into finding out more about Ms L's income and expenditure, I was satisfied that they would more like than not have shown L2G that it shouldn't have provided these loans to Ms L.

As L2G provided Ms L with these loans notwithstanding this, I was minded to conclude that it failed to act fairly and reasonably towards her.

Ms L ended up paying interest, fees and charges on loans she shouldn't have been provided with in the first place. So this left me intending to issue a final decision finding that Ms L lost

out because of what L2G did wrong when providing these loans and that it needed to put things right.

### **Responses to my provisional decision**

Ms L confirmed that she accepted my provisional decision and didn't provide anything further to me to consider.

L2G confirmed receipt of my provisional decision and said that it would await my final conclusions. It queried whether Ms L's complaint was being partially upheld.

### **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 Ms L'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. I should also confirm that the single reference to a partial uphold was a typing error. And as confirmed throughout the course of my provisional decision, I'm upholding Ms L's complaint in full.

So overall and having considered everything, I'm still upholding Ms L'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 Ms L**

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

- refunding all interest fees, and charges Ms L paid as a result of her loans:
- adding interest at 8% per year simple on any refunded payments from the date they were made by Ms L to the date of settlement†
- removing any adverse information it may have recorded about these loans from Ms L's credit file;

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

### **My final decision**

For the reasons I've explained and in my provisional decision of 29 August 2023, I'm upholding Ms L's complaint. Loans 2 Go Limited needs to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 13 October 2023.

Jeshen Narayanan  
**Ombudsman**