

## **Complaint**

Mr B has complained about personal loans 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 B with a loan for £1,700.00 in February 2021. This loan had an APR of 253.7% and a term of 24 months. This meant that the total amount to be repaid of £4,923.12, including interest, fees and charges of £3,223.12, was due to be repaid in 24 monthly instalments of £205.13.

L2G then provided Mr B with a second loan for £500 in March 2023. But Mr B withdrew from this application and no interest was paid as a result.

Mr B was then provided with a third loan for £320 in May 2023. This loan had an APR of 770% and a term of 18 months. This meant that the total amount to be repaid of £1,184.04, including interest, fees and charges of £864.04, was due to be repaid in 18 monthly instalments of £65.78.

As Mr B withdrew without penalty from loan 2, we've not looked into the circumstances behind that application. And any and all reference to loans from this point forward is in relation to loans 1 and 3.

One of our adjudicators reviewed Mr B's complaint and thought that L2G shouldn't have provided any of these loans to Mr B. L2G 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 findings**

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

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr B's complaint.

Having carefully considered everything I've decided to uphold Mr B's complaint. I'll explain why in a little more detail.

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 B 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'm concerned that L2G's own checks in the lead up to loan 1 showed that he's had recent payment difficulties in the form of some missed payments and others accounts that were close to their limits. I can also see that Mr B had taken out a number of payday loans too.

I do appreciate that Mr B repaid loan 1 ahead of schedule. But the credit search does show that Mr B took out loans elsewhere as his indebtedness had grown. And Mr B appears to have defaulted on an account and had taken out an increased number of payday loans too. So I think that further enquiries into Mr B's circumstances were warranted before loans 1 and 3 were provided.

Mr B has now provided us with evidence of his financial circumstances at the time he applied for his loans. Of course, I accept different checks might show different things. And just because something shows up in the information Mr B has provided, it doesn'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 think it's perfectly fair, reasonable and proportionate to place considerable weight on what this information says as an indication of what Mr B's financial circumstances were more likely than not to have been at the time.

It's also important to note that L2G was required to establish whether Mr B 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 be an indication that a consumer could sustainably make the repayments.

But it doesn't automatically follow that this is the case. And as a borrower shouldn't have to borrow further in order to make their payments, it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to sustainably make their repayments if it is on notice that they are unlikely to be able to make their repayments without borrowing further.

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

The information provided shows that Mr B was already struggling to manage and finding it difficult to make the payments to his existing commitments. Given this, it is apparent to me that Mr B was unlikely to have been able to repay these loans without borrowing further or experiencing financial difficulty.

As this is the case, I do think that Mr B'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'm satisfied that reasonable and proportionate checks would more like than not have shown L2G that it shouldn't have provided these loans to Mr B.

As L2G provided Mr B with these loans, notwithstanding this, I'm satisfied that it failed to act fairly and reasonably towards him. And I'm upholding this complaint.

Mr B ended up paying (and is still being expected to pay) interest, fees and charges on loans he shouldn't have been provided with. So I'm satisfied that Mr B lost out because of what L2G did wrong and it now needs to put things right for Mr B.

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

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

- refunding all interest, fees and charges Mr B paid on loan 1;
- adding interest at 8% per year simple on any refunded payments from the date they were made by Mr B to the date of settlement†
- removing all interest, fees and charges applied to loan 3 from the outset. The payments Mr B made should be deducted from the new starting balance – the £320 originally lent. If Mr B has already repaid more than £320 then L2G should treat any extra as overpayments. And any overpayments should be refunded to Mr B. Should an outstanding balance remaining remain after all adjustments have been made, L2G can use the compensation due from loan 1 to clear whatever is left to pay on loan 3;
- adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Mr B to the date of settlement†
- removing any and all adverse information it recorded about these loans from Mr B's credit file.

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

### **My final decision**

For the reasons I've explained, I'm upholding Mr B'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 B to accept or reject my decision before 30 October 2023.

Jeshen Narayanan  
**Ombudsman**