

Complaint

Miss H has complained about loans Loans 2 Go Limited (“L2G”) provided to her. She says the loans were unaffordable.

Background

L2G initially provided Miss H with a loan for £500 in May 2021. This loan had an APR of 1,013.2% and an 18-month term. This meant that the total amount to be repaid of £2,057.04, including interest, fees and charges of £1,557.04, was due to be repaid in 18 monthly instalments of £114.28. This loan was settled in full in October 2021.

Miss H was provided with a second loan for £800 in July 2022. This loan had an APR of 760.9% and a term of 18 months. This meant that the total amount to be repaid of £2,959.92, including interest, fees and charges of £2,159.92, was due to be repaid in 18 monthly instalments of £164.44.

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

My provisional decision of 2 October 2023

I issued a provisional decision – on 2 October 2023 - setting out why I intended to uphold Miss H’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 decide Miss H’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 H 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 noted that L2G said it agreed to Miss H’s applications after she provided details of her monthly income and some information on her expenditure. It said that it cross-checked this

against information on a credit search it carried out and all of this information showed Miss H could afford to make the repayments she was committing to. On the other hand, Miss H said she couldn't afford these loans and so shouldn't have been lent to.

Having considered the information provided, I was concerned that L2G's own checks in the lead up to loan 1 showed that Miss H had had difficulties repaying credit in the form of multiple defaults an unsatisfied county court judgement and at least one other account being in an arrangement to pay.

I was also concerned that by the time of loan 2, Miss H's position hadn't improved much either. Miss H had gone on to default on at least one more account. And loan 2 was for a larger amount too.

Bearing in mind all of this, I was satisfied that L2G ought reasonably to have carried out further checks before providing either of these loans to Miss H.

I thought that further checks would have extended into finding out more about Miss H's expenditure. And I also thought that if L2G had done this here, it would have seen that Miss H 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 Miss H'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 Miss H'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 Miss H.

As L2G provided Miss H with these loans notwithstanding this, it was my intention to conclude that it failed to act fairly and reasonably towards her.

Miss H ended up paying and was still being expected to pay interest, fees and charges on loans she shouldn't have been provided with in the first place. So it was my intention to issue a final decision finding that Miss H 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

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

L2G confirmed that it accepted my provisional decision and also said that it didn't have anything further for me to consider.

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 was intending to uphold Miss H's complaint in my provisional decision of 2 October 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 overall and having considered everything, I'm still upholding Miss H'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 H

Having thought about everything, I'm satisfied that it would be fair and reasonable in all the circumstances of this complaint for L2G to put things right for Miss H by:

- refunding all interest, fees and charges Miss H paid on loan 1;
- adding interest at 8% per year simple on any refunded payments from the date they were made by Miss H to the date of settlement†
- removing all interest, fees and charges applied to loan 2 from the outset. The payments Miss H made should be deducted from the new starting balance – the £800 originally lent. If Miss H has already repaid more than £800 then L2G should treat any extra as overpayments. And any overpayments should be refunded to Miss H. Should an outstanding balance remaining remain after all adjustments have been made, L2G can use the compensation due from loan 1 to reduce and/or clear whatever is left to pay on loan 2;
- adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Miss H to the date of settlement†
- removing any and all adverse information it recorded about loan 1 from Miss H's credit file. If, after all adjustments have been made, no outstanding balance remains on loan 2, L2G should also remove any adverse information it has recorded about this loan.

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

My final decision

For the reasons I've explained above and in my provisional decision of 2 October 2023, I'm upholding Miss H'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 H to accept or reject my decision before 7 November 2023.

Jeshen Narayanan
Ombudsman