

Complaint

Miss N has complained about a loan Loans 2 Go Limited ("L2G") provided to her. She says the loan was unaffordable and therefore shouldn't have been provided to her in the first place.

Background

L2G provided Miss N with a loan for £800 in June 2022. This loan had an APR of 769.9% and was due to be repaid in 18 monthly instalments of £164.44.

One of our investigators reviewed Miss N's complaint and he thought L2G hadn't done anything wrong or treated Miss N unfairly. So he didn't think that Miss N's complaint should be upheld. Miss N disagreed so the case was passed to an ombudsman.

My provisional decision of 25 September 2023

I issued a provisional decision – on 25 September 2023 - setting out why I intended to uphold Miss N'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 N'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 N 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.

Having considered the information provided, I noted that the credit check L2G carried out showed Miss N had had previous difficulties with credit – in the form of a number of defaults. The credit check also showed that Miss N had balances close to the credit limit on more than one of her revolving credit accounts.

Furthermore, I also thought that the monthly payment was taking up a significant chunk of the disposable income L2G had arrived at for Miss N too. And this was without actually verifying what Miss N had said about her income and expenditure. I did appreciate that there

might have been a degree of cross checking using some online tools but, in my view, this was not the same as verification.

I accepted that it was possible that Miss N's credit file reflected her choices rather than any financial difficulties. But I also set out that my experience of these types of cases suggested this was unlikely. In any event, I was satisfied that further checks would more like than not have shown that Miss N would not have been able to repay this loan without experiencing undue difficulty or borrowing further.

This left me satisfied that reasonable and proportionate checks would more like than not have shown L2G that it shouldn't have provided this loan to Miss N. And as L2G provided Miss N with this loan, notwithstanding this, I was minded to conclude that it failed to act fairly and reasonably towards her.

As Miss N ended up paying (and was still being expected to pay) interest, fees and charges on a loan she shouldn't have been provided with, I concluded by saying it was my intention to issue a final decision finding that Miss N lost out because of what L2G did wrong and that it needed to put things right.

Responses to my provisional decision

Miss N 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 intended to uphold Miss N's complaint in my provisional decision of 25 September 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 N'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 N

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 N by:

- removing all interest, fees and charges applied to the loan from the outset. The payments Miss N made, whether to L2G or any third-party debt purchaser, should be deducted from the new starting balance – the £800 originally lent. If Miss N has already repaid more than £800 then L2G should treat any extra as overpayments. And any overpayments should be refunded to Miss N;
- adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Miss N to the date of settlement†
- if no outstanding balance remains after all adjustments have been made, all adverse information L2G recorded about this loan should be removed from Miss N's credit file.

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

I'd also remind L2G of its obligation to exercise forbearance and due consideration if it intends to collect on an outstanding balance, should it buy the debt back from any third-party debt purchaser and one remains, after all adjustments have been made to the account and it's the case that Miss N is experiencing financial difficulty.

My final decision

For the reasons I've explained above and in my provisional decision of 25 September 2023, I'm upholding Miss N'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 N to accept or reject my decision before 7 November 2023.

Jeshen Narayanan
Ombudsman