

## **Complaint**

Miss W has complained about a loan Loans 2 Go Limited (“L2G”) provided to her. She says the loan was unaffordable as she had serious gambling issues and if L2G had carried out proportionate checks it would have seen this.

## **Background**

L2G provided Miss W with a loan for £1,500.00 in August 2019. This loan had an APR of 1,013.2% and the total amount to be repaid of £6,170.94, which included interest, fees and charges of £4,670.94, was due to be repaid in 18 monthly instalments of £342.83.

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

## **My provisional decision of 7 November 2023**

I issued a provisional decision – on 7 November 2023 - setting out why I intended to uphold Miss W’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 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 W 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 kept this in mind while provisionally deciding Miss W’s complaint.

L2 G had carried out credit checks. And I was mindful that the credit check showed Miss W had had previous difficulties with credit – in the form of a number of accounts with missed payments and in arrangements to pay. The credit check also showed that Miss W had recently taken out a loan for £7,250.00, was over the limit on one of her revolving credit accounts and close to the limit on at least one other account.

Furthermore, the monthly payment was taking up a significant chunk of the disposable income L2G had arrived at for Miss W too. And this was without actually verifying what Miss W 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 wasn't the same as verification.

I thought that further checks would have extended into finding out more about Miss W's expenditure. And I thought that if L2G had found out more about Miss W's expenditure (it was my understanding that it had seen Miss W's bank statements as part of its review of her complaint), it would have seen that Miss W was already in a difficult financial position.

In these circumstances, I also thought that L2G would have found out the reason Miss W was in the position that she was and realised that it was unlikely that Miss W would be able to repay this loan without suffering significant adverse consequences or financial difficulty.

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 W. And as L2G provided Miss W with this loan, notwithstanding this, I was minded to conclude that it failed to act fairly and reasonably towards her.

Miss W ended up paying interest, fees and charges on a loan she shouldn't have been provided with in the first place. So I concluded by setting out my intention to find that Miss W lost out because of what L2G did wrong and confirm that I would be directing it to put things right.

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

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

L2G also 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 thank the parties for the responses provided and I'm pleased to see that they agree with my findings and conclusions.

I set out in some detail why I intended to uphold Miss W's complaint in my provisional decision of 7 November 2023. As the parties have accepted these conclusions and haven't provided anything further to consider, I see no reason to alter my conclusions.

So I remain satisfied that Miss W's complaint should be upheld and L2G should put things right.

### **Fair compensation – what I think L2G needs to do to put things right for Miss W**

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

- refunding all interest, fees and charges Miss W paid as a result of her loan;
- adding interest at 8% per year simple on any refunded payments from the date they were made by Miss W to the date of settlement†

- removing all adverse information recorded about this loan from Miss W's credit file.

† HM Revenue & Customs requires L2G to take off tax from this interest. L2G must give Miss W 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 7 November 2023, I'm upholding Miss W'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 W to accept or reject my decision before 19 December 2023.

Jeshen Narayanan  
**Ombudsman**