

The complaint

Mr H complains that Loans 2 Go Limited lent to him irresponsibly in July 2023.

What happened

Mr H applied for a loan for £1,500 on 24 July 2023 and it was approved. Mr H cancelled it (this is the terminology Mr H uses but I think he means he withdrew from the agreement). Mr H then reapplied for a loan for a larger sum of £2,000 on 25 July 2023. This was approved.

It was a high interest loan to be repaid over 24 monthly instalments of £269.33 each, the first one commencing on 25 August 2023. Mr H set up a Continuous Payment Authority (CPA) on his bank card. The first payment did not go through and Mr H was written to several times by Loans 2 Go to ask for payment. He arranged to pay double on 25 September 2023. But instead, Mr H paid off the whole loan having asked for an Early Settlement figure. The loan was settled on 24 September 2023 and the CPA was cancelled by Loans 2 Go.

The loan was due to have incurred just under £4,464 in interest but as Mr H paid it off 22 months early the interest cost was around £720.

On 26 September 2023, two days after paying the loan off early, Mr H made a complaint to Loans 2 Go. Mr H wanted a refund of that interest and an apology for lending to him when he was in financial straits.

Loans 2 Go responded with a final response letter (FRL) on 20 October 2023 in which it did not uphold Mr H's complaint and gave reasons why it considered it had carried out the appropriate checks. It reminded Mr H he was required to be accurate in his application. During the application it had asked Mr H about gambling and whether he was suffering from any illness which may make him vulnerable and he'd confirmed 'no' to both questions.

Loans 2 Go did want to assist and so at first it offered to write off the balance of the debt and offered £100 as a refund. But as the loan had already been paid. Mr H rejected this. Loans 2 Go changed its offer to a £150 refund payment and imposed a 14 day deadline on the acceptance of it. That offer has been withdrawn because he did not accept it in time.

Loans 2 Go also addressed a new element of the complaint which was that Mr H thought the interest charged was too high and that it should not be allowed to charge so much. Loans 2 Go explained that the details had all been set out for Mr H – including the interest due to be charged – before he agreed to the loan. So, it rejected that part. Mr H had also asked for an explanation as to how the early settlement figure was reached. Loans 2 Go gave him the formula in line with the current legislation covering that.

Mr H did not accept the outcome offered and referred his complaint to the Financial Ombudsman Service. One of our investigators reviewed the complaint and did not think that the complaint should be upheld.

Mr H responded to explain about the first loan he'd applied for and cancelled the day before

this one was approved. Mr H felt that this was a '*red flag*' to alert Loans 2 Go that he was in financial trouble. So, he maintained that Loans 2 Go should have done more and if it had, it would have seen he was not in a good financial position to be able to repay this loan.

Our investigator asked Loans 2 Go for more information on this cancellation and whether Mr H had made any telephone calls to Loans 2 Go about this. Having received the details, our investigator did not alter her view.

Dissatisfied with this outcome, Mr H asked for an ombudsman to consider his complaint. It was passed to me to decide.

I have seen in the complaint form addressed to us and in other correspondence with us that Mr H has not continued with his issues surrounding the early settlement figure as that seems to have been answered by Loans 2 Go for Mr H.

Mr H has explained that he's had other complaints with other lenders, three of which have been referred to the Financial Ombudsman Service. He has told us the outcome of those other complaints were in his favour. I have looked at those three as well – briefly.

What I've decided – and why

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

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all the relevant rules, guidance, and good industry practice - on our website.

Taking into account the relevant rules, guidance and good industry practice, what I need to consider in deciding what's fair and reasonable in the circumstances of this complaint is whether Loans 2 Go completed reasonable and proportionate checks to satisfy itself that Mr H would be able to repay in a sustainable way? And, if not, would those checks have shown that Mr H would've been able to do so?

If I determine that Loans 2 Go did not act fairly and reasonably in its dealings with Mr H and that he has lost out as a result, I will go on to consider what is fair compensation.

The rules and regulations in place required Loans 2 Go to carry out a reasonable and proportionate assessment of Mr H's ability to make the repayments under this agreement. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower" focused – so Loans 2 Go had to think about whether repaying the loan would be sustainable and/or cause significant adverse consequences for Mr H. In practice this meant that Loans 2 Go had to ensure that making the payments to the loan wouldn't cause Mr H undue difficulty or significant adverse consequences.

In other words, it wasn't enough for Loans 2 Go to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mr H. Checks also had to be "proportionate" to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the circumstances of the borrower (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* Mr H's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr H's complaint.

Previous application

Mr H applied online. I've not seen the details of the loan application applied for on 24 July 2023 (the day before he took this one) but Loans 2 Go has explained that it was approved for £1,500 and Mr H emailed to cancel or withdraw from it on the same day.

I've seen the wording of the email to Loans 2 Go and although I appreciate that Mr H's view is that he was '*begging*' Loans 2 Go not to proceed with the application and/or making it clear he really did not want it to be approved, the wording and the tone of the correspondence does not suggest this. The email wording is brief and to the point.

So, I do not accept Mr H's submission that the cancellation of the 24 July 2023 loan was a '*red flag*' to Loans 2 Go. From the lender's perspective, Mr H was showing he was aware of his right to cancel and no reasons need be given to do that. One explanation may have been that he cancelled to apply for a larger loan the next day. Mr H went on to do that. So, when he applied for this £2,000 loan on 25 July 2023 I do not think that Loans 2 Go was necessarily meant to have been alerted to some element of concern.

The 25 July 2023 loan

The application details show me that Mr H told Loans 2 Go that he was earning £2,377 each month after tax and his monthly outgoings were: home costs £0, utilities £0, transport £100, and groceries around £200. He also told them that his credit commitments were £750 each month and his other regular expenditure was £100 each month. So, he told them his total monthly outgoings were £1,150.

As for the credit search Loans 2 Go carried out, for a £2,000 loan repayable over two years it would be proportionate to have checked on Mr H's debt situation and it did that by obtaining the credit search. That does show Mr H had a total outstanding balance of £18,726. This is not modest but it is not a very high figure.

The credit report told Loans 2 Go that he had no defaults, that he was up to date with payments, that he was not in any sort of insolvency arrangement and had no County Court Judgments against him.

The figure Mr H had given to Loans 2 Go of around £750 each month on credit commitments dovetails with that credit report. I have seen that Mr H had two loans costing him £687 in total each month, plus a balance on his credit cards of around £893 which at 3% minimum repayments amounted to around £27 for the two, plus he was paying £57 each month on insurance. So, the combined cost was £771 which is close to the figure Mr H gave to it and Loans 2 Go would have seen that.

Loans 2 Go increased the expenditure figure Mr H had declared to it by using the research from the credit report it obtained plus Office of National Statistics data – the figure it used was £1,853 each month. This seems fair and reasonable and demonstrates its cautious approach on the figures used in its affordability assessment. Loans 2 Go explained:

'L2G uses information from the Office of National Statistics (ONS) on UK consumer average expenditure to determine what amount of expenditure is deemed reasonable. Where an applicant spends less than the ONS figure, L2G [as a responsible lender] replaces the applicant's declared figure with the higher figure from ONS. This ensures the applicant can still afford to repay the loan should their expenditure increase to the figure obtained from ONS.'

...Following an extensive review of your application, in addition to your credit file, we calculated your monthly expenses to be around £1,853.05. Therefore, the contractual loan repayment of £269.33 per month would have still been affordable.'

I have noted that Mr H had an overdraft as well and while that is debt, it's not always debt that stipulates regular repayments. Plus, the bank had not indicated to the credit reference agencies that this was something about which it had a concern. The account is noted as *'up to date with payments'*.

Having considered the information that Loans 2 Go looked at in Mr H's application, I think that it carried out proportionate checks when it was assessing Mr H's ability to repay the loan.

High interest

Mr H was concerned about the level of interest charged. But having reviewed the information he was given about the loan before he signed the agreement, I am satisfied that the high level of interest (over £4,000) was made clear to him. Added to which, as Mr H had already demonstrated, he was fully aware of his ability to cancel or withdraw from the Loans 2 Go loan within a certain period as he'd done that before. And so, if Mr H had changed his mind and had not wished to take the loan he could have cancelled it or withdrawn from it.

Third party approved loan

Mr H has mentioned that he applied for another loan on the same day with another lender. It was approved. Loans 2 Go would not have known of this. So, I do not consider it fair or reasonable for me to factor this into the Loans 2 Go assessment process.

But as I have said earlier, Mr H would have known of this and had the option to cancel the Loans 2 Go loan if he had felt that getting two loans in one day was going to be too much for him.

Gambling

Loans 2 Go assessed the information Mr H had provided to it. It augmented this with the credit and living expenses research it did, and so my view is that it carried out proportionate checks. It acted on the information it knew of and had received and assessed that Mr H was able to afford the loan.

Therefore, there would have been no requirement or any reason for Loans 2 Go to be prompted to ask Mr H for additional information or to carry out further research. So, it's not at all likely that Loans 2 Go would have seen any bank account statements. Nor would I have expected it to have asked for them in these circumstances. And so, any demonstration of gambling, gaming or betting activities that his statements may have revealed were not likely to have been seen.

Other complaints

I've reviewed, briefly, the other complaint cases referred to us recently. They were not complaints which were upheld in their entirety. And one related to loans between September 2019 and December 2022. So, a different period in Mr H's life and likely when Mr H's finances were different to July 2023 when he applied for the Loans 2 Go loan. The

other two complaints referred to us related to loans in December 2022 and February 2023 and again, these were several months before Mr H took this loan with Loans 2 Go. All complaints are reviewed individually and on their own merits.

What I have learned about Mr H's life while reviewing these other complaints is that it seems Mr H was living at home with his parents. And that may still have been the case for this July 2023 loan as he told Loans 2 Go that he had zero costs for housing or utility bills. I've addressed how Loans 2 Go approached this earlier in the decision.

But even if it was not the case that Mr H was living at home with his parents when he applied for this loan in July 2023, Loans 2 Go took the precaution to increase the monthly expenditure costs to reflect a more usual outgoing figure. Even with that higher expenditure figure Mr H's finances led Loans 2 Go to assess that he was still able to afford the loan. So, nothing much turns on that detail about whether he was living with parents or not from a financial perspective, but is useful background information to explain why he may have submitted zero housing and utility bill costs to Loans 2 Go when applying.

Mr H has also mentioned that the definition of 'high cost short term credit' should be altered. That is not something about which I can or should be involved.

Following on from the reasons outlined in my decision, I do not uphold Mr H's complaint.

My final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 1 May 2024.

Rachael Williams
Ombudsman