

The complaint

Mr H complains about a loan that Loans 2 Go Limited provided to him. He says the loan was unaffordable because of his financial difficulties and Loans 2 Go didn't undertake enough proportionate checks to ensure he could afford the loan and its payments.

Mr H is represented in his complaint. For ease of reading, any reference to "Mr H" refers to the testimony of both Mr H and his representative.

What happened

Loans 2 Go provided Mr H with a loan of £250 in August 2020. The loan was due to be repaid in 18 monthly instalments of £57.14. This loan had an APR of 1,013% which meant that the total repayable was just over £1,000. Mr H says he was experiencing financial issues and was struggling to maintain his existing financial commitments; the lending decision made by Loans 2 Go was unfair.

Loans 2 Go rejected this complaint. It says there's no evidence to suggest that the loan was unaffordable to Mr H. It explained the checks it had completed when Mr H applied for the loan and said it was satisfied that it had considered both his credit worthiness and the affordability of the loan, and it had concluded that Mr H had sufficient disposable income at the time to make his monthly repayments.

Our investigator looked at this complaint but said he didn't think it should be upheld. He explained that having reviewed all the available information, he couldn't conclude that the loan was unaffordable and that it shouldn't have been provided to Mr H.

Mr H disagreed so the complaint comes to me to decide.

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.

Our website explains how we handle complaints about unaffordable and irresponsible lending, and I've used this approach to help me decide Mr H's complaint. Having carefully thought about everything, I'm not upholding Mr H's complaint and I'll explain why in a bit more detail.

Loans 2 Go needed to make sure that it didn't lend irresponsibly. In practice, what this means is Loans 2 Go needed to carry out *proportionate* checks to be able to understand whether Mr H could afford the repayments before providing this loan.

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.

Loans 2 Go says it agreed to Mr H's application after he provided details of his monthly income and expenditure. It says it cross-checked this against information on a credit search it carried out on Mr H. The information Mr H provided about his income and expenditure showed that he would be able to make the repayments he was committing to. But, in any event, Loans 2 Go says it adjusted Mr H's income and expenditure information to account for what its checks showed, and this still showed the required payments were affordable. Loans 2 Go says, in these circumstances it was reasonable to lend.

On the other hand, Mr H has said the loan was unaffordable and shouldn't have been provided. So, I've carefully thought about what Mr H and Loans 2 Go have said. The information provided suggests Mr H was asked to provide details of his income and expenditure. Equally, Loans 2 Go did carry out external checks and didn't simply rely on what it was told.

Loans 2 Go carried out a credit search which didn't show anything too alarming. There were a couple of historic issues – namely a historic arrangement to pay and Mr H was slightly over the limit on two of his credit cards. However, this needs to be weighed against the fact that Mr H had no defaults or CCJs; he wasn't bankrupt or in any insolvency scheme; and there was no evidence of recent missed payments.

So, bearing in mind that the low monthly repayment appeared to be affordable and Mr H's lack of any previous lending with Loans 2 Go, I don't think it was unreasonable for it to proceed on the basis of the information it obtained as there was nothing immediately obvious to call its lending decision into question.

I accept Mr H's actual circumstances may not been reflected in the information he provided and the other information Loans 2 Go obtained. I know that Mr H says that he was experiencing financial difficulties and was struggling to maintain his existing financial commitments, but Loans 2 Go could only make its decision based on the information it had available at the time. And, at this stage of the lending relationship and bearing in mind the circumstances, I don't think proportionate checks would have extended into Loans 2 Go asking Mr H to provide further information.

Equally it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And, in this case, I don't think that Loans 2 Go did anything wrong in deciding to lend to Mr H - it carried out proportionate checks even though Mr H now argues that what it was provided with didn't tell the whole story. Loans 2 Go reasonably relied on this information and given its lack of history with Mr H, I don't think it was unreasonable for Loans 2 Go to provide this loan.

I accept that if Loans 2 Go had carried out further checks – such as obtaining bank statements – it might have reached a different outcome. But the key here is that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong.

Given the amount of the monthly payments and the lack of obvious indicators of significant difficulty in the information Likely Loans did obtain, I don't think that reasonable and proportionate checks would have extended into requesting copies of Mr H's bank statements. At best, even if I were to accept that further checks were necessary, which I'm not necessarily persuaded is the case here, any such checks would only have gone as far as

finding out more about Mr H's regular living costs. And I don't think that obtaining bank statements was the *only* way that Loans 2 Go could have done this.

As this is the case, I don't think that Loans 2 Go did anything wrong when deciding to lend to Mr H - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that Loans 2 Go treated Mr H unfairly or unreasonably when it provided him with his loan and as a result, I'm not upholding this complaint.

I know that Mr H will be disappointed with the outcome of his complaint, but I hope he understands why I've reached this conclusion.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 27 May 2024.

Andrew Macnamara
Ombudsman