

The complaint

Miss K says Loans 2 Go Limited irresponsibly lent to her.

What happened

Miss K took out an 18-month instalment loan for £1,000 from Loans 2 Go on 4 January 2023. The monthly repayments were £205.56 and the total repayable was £3,700.08.

Miss K says Loans 2 Go should not have lent to her - her credit file showed she had problems managing her finances in the past. It then charged excessive interest rates, expecting her to repay three times what she had borrowed. It also did not answer her call when she rang to try to repay the loan within the 14-day cancellation period. She was on hold for up to five hours only for the call to then disconnect automatically when it was the lender's closing time.

Our investigator did not recommend the complaint should be upheld. She said Loans 2 Go carried out appropriate checks and based on the results, it was not wrong to lend to Miss K. And that Miss K agreed to the terms of the loan when she applied. She said Miss K would need to raise her complaint point about the call wait times with Loans 2 Go before we could consider it.

Miss K disagreed with this assessment and asked for an ombudsman's review. She said, in summary:

- we need to revisit all the complaint points she made from the start to both Loans 2 Go and this service
- she feels dismissed and that there is bias towards the lender in the investigation
- her credit file shows numerous unpaid and late paying items so cannot have been looked at properly
- it was not made clear she would pay three times the amount of the loan in interest – she cannot afford to repay the debt so will end up with a CCJ and the lender has shown no empathy
- if this service is the regulatory body for Loans 2 Go, how can it allow this conduct?

I made some different findings to the investigator so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to send any comments or new evidence by 10 April 2024.

Extract from my provisional decision

I first want to address the comment Miss K made about this service showing bias towards Loans 2 Go. We are an independent and impartial organisation and we do not act on behalf of lenders or consumers: it is not in our interest to find in favour of one party over the other.

Miss K also asked is our role not to regulate the conduct of lenders? But we are not the regulator and cannot consider systemic issues. The regulator is the Financial Conduct

Authority (FCA). Our remit is to consider the merits of individual complaints and where we find a firm has acted in error, to decide how it must put things right.

I can see Loans 2 Go asked for some information from Miss K before it approved the loan. It asked for her monthly income and expenditure. It verified her declared income using a third-party tool. It reviewed her declared expenditure to ensure it was reasonable based on national statistics and adjusted it accordingly. It checked Miss K's credit file to understand her existing monthly credit commitments and credit history. From these checks combined Loans 2 Go concluded Miss K had enough monthly disposable income (£1,205.55) for the loan to be affordable.

Whilst in principle I think these checks were reasonable given the term and value of the loan, I am not satisfied they ended up being proportionate based on the initial results they returned. I'll explain why.

Whilst not over-indebted based on her verified income, Miss K's credit file showed she was one month in arrears on a loan account and a credit card; that she was in an arrangement to pay on a £10,000 loan that still had around an £8,000 balance and that she was using her overdraft facility on two current accounts. Her credit utilisation on her revolving accounts was high at 98% over the last six months and 100% in the last month. She did have some historic defaults but they had been settled. Overall, I find Loans 2 Go needed to ask more questions.

There were also some quirks about the lending application. Miss K had declared a monthly income of £9,999 paid in cash on a fortnightly basis. I note Loans 2 Go had reduced this, after verification, to around £3,400 but nonetheless I think Miss K's declaration ought to have raised queries. And finally, Loans 2 Go calculated Miss K's disposable income to be more than the loan value, something that can be a flag for further investigation. I cannot see that Loans 2 Go knew what the purpose of the loan was.

In the round I think Loans 2 Go, as a responsible lender, ought to have carried out a fuller financial review. In cases like this we look at the applicant's bank statements for the three months prior to lending. We have requested these from Miss K and whilst she has provided statements for other dates, I have not had sight of October, November and December 2022. This means I cannot know what better checks would have shown Loans 2 Go. I cannot therefore conclude it ought not to have lent to Miss K – there may have been credible reasons for what seem like signs of financial strain on her credit file.

If Miss K can send the relevant statements I will review them and decide if they change my current finding.

Did Loans 2 Go act unfairly or unreasonably in some other way?

Miss K says the interest rate applied was excessive and the terms of the loan were not made clear to her. But both the pre-contract credit information and the credit agreement Miss K signed electronically set out the key terms including the interest rate, APR, term, monthly cost and total repayable. They made clear the cost of credit to Miss K would be £2,700.08. I accept the interest rate was high, but Miss K had to actively engage in the application process for her loan, so she had the opportunity to understand what she was agreeing to pay. I haven't seen anything which makes me think that Loans 2 Go treated Miss K unfairly or breached industry practice regarding interest charges.

Miss K also says she was left waiting for hours when she tried to call to repay her loan in the cancellation period. I can see she raised this in her complaint to the lender and to this service so it is something I can consider as part of this decision. From the lender's submission I can see it has records of just two inbound calls from Miss K's mobile. One on 19 April 2023 at

17.20 and one on 24 April 2023 at 16.58. Both were unanswered by the time Loans 2 Go closed at 17.30. In its final response letter it apologised for this service. I note however that the calls were some time after the 14-day cancellation period had ended so I cannot see this service failure impacted Miss K's plan to repay the loan early and avoid interest charges.

With regards Loans 2 Go's response after Miss K emailed it on 14 March 2023 saying that she had lost her job and offering a reduced payment of £20 per month, I can see it replied on 31 March asking Miss K to complete an income and expenditure form giving a list of options that might be available to support her. This is a fair and reasonable response. I cannot see Miss K replied with the required information and so as her arrears built up a default notice was issued in May 2023. The account was sold in August 2023 - the terms Miss K agreed to allow Loans 2 Go to manage her debt in this way so I cannot find it acted in error.

In summary, I am currently not planning to uphold Miss K's complaint. If she can submit the bank statements required by 10 April 2024 I will review them and decide whether they change my conclusion about the lending decision.

Neither party responded to my provisional decision.

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 approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

As neither party sent in any comments or new evidence in response to my provisional decision, I have no reason to change the findings or conclusion I reached.

It follows for the reasons set out above I cannot find Loans 2 Go was wrong to lend to Miss K.

My final decision

I am not upholding Miss K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 11 May 2024.

Rebecca Connelley
Ombudsman