

## **The complaint**

Mr R is being represented by a claims manager. He's complaining about Loans 2 Go Limited because he says it lent irresponsibly by giving him loans he couldn't afford.

## **What happened**

In 2019 and 2020, Mr R took out the following loans with Loans 2 Go:

- Loan 1 – January 2019 - £300 over a period of 18 months, with a monthly repayment of £68.
- Loan 2 – June 2019 - £550 over 18 months with a monthly repayment of £125. The amount borrowed included settling the balance of loan 1.
- Loan 3 – December 2019 - £657 over 18 months with a monthly repayment of £150. The amount borrowed included settling the balance of loan 2.
- Loan 4 – August 2020 - £624 over 18 months with a monthly repayment of £142. The amount borrowed included settling the balance of loan 3.

Before the complaint was referred to us, Loans 2 Go agreed loan 4 shouldn't have been given. To put things right it offered to refund all interest and charges on the loan with the addition of simple interest at 8% per year. It also offered to write off the outstanding balance and amend Mr R's credit file to remove all negative information relating to the loan.

Our investigator didn't conclude the complaint should be upheld or that Loans 2 Go should do any more than it had already offered to do.

Mr R didn't accept the investigator's assessment. His representative says Loans 2 Go should have carried out further checks before lending, particularly in relation to loan 3 and, had it done so, it would have identified a high number of gambling transactions and shouldn't have lent.

The complaint has now been referred to me for review.

## **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.

Having done so, I've reached the same overall conclusion as the investigator. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

Before lending to Mr R, Loans 2 Go was required to carry out appropriate checks to ensure the repayments were affordable and sustainable. To decide whether this requirement was met, the key questions I need to consider in respect of each lending decision are:

- Did Loans 2 Go complete reasonable and proportionate checks to establish that Mr R would be able to repay the loan in a sustainable way?
- If so, was the decision to lend fair and reasonable?
- If not, what would reasonable and proportionate checks have discovered, and would the decision to lend have been fair and reasonable in light of that information?

Loans 2 Go has described the information it gathered to assess whether Mr R's loans were affordable before each was approved. This included:

- information contained in his application, including residential status, employment status and his income;
- information obtained from a credit reference agency (CRA), giving details of his existing credit arrangements and any past issues with credit, including missed payments and defaults; and
- an expenditure assessment using a combination of modelled data for key expenses and actual data from the CRA about the cost of his existing credit arrangements.

I've reviewed the lending decision made by Loans 2 Go for each loan separately.

#### *Loan 1*

Mr R declared his income to be just over £2,000 per month. While he'd had a number of accounts default and a CCJ registered against him several years earlier, Loans 2 Go's credit check showed he now had a low amount of credit and there were no obvious signs of recent financial difficulty. Its income and expenditure assessment also concluded he had sufficient disposable income to comfortably afford the monthly repayments.

The use of modelled statistical data to estimate expenditure is an approach that's recognised by the regulator for assessing credit applications. It was clearly less thorough than an assessment of a Mr R's actual expenses by reference to his bank statements for example. But in view of the modest amount being lent and the information it already had about his income and existing commitments, I think it was a proportionate approach in this case and that Loans 2 Go was entitled to believe the loan was affordable.

#### *Loan 2*

There were no significant changes showing on Mr R's application or the credit check completed and his situation appeared to be much as it was when he applied for loan 1. Again, Loans 2 Go's income and expenditure assessment concluded he had sufficient disposable income to afford the repayments.

As before, in view of the amount being lent, I'm satisfied the checks completed were proportionate and that Loans 2 Go was entitled to believe the loan was affordable.

#### *Loan 3*

By the time of loan 3, I think there were potential signs of financial difficulty that should have prompted Loans 2 Go to carry out further affordability checks. Aside from anything else, the

fact Mr R had applied for this type of high-cost credit three times in the space of less than a year warranted further investigation in my view. I also note Loans 2 Go's credit check showed he'd taken out a new credit card only a month earlier.

I can't know exactly what further checks Loans 2 Go might have carried out at the time, but I think a consideration of Mr R's actual income and expenditure would have been reasonable. So I've reviewed his bank statements for the three months prior to the lending - September, October and November 2019 - to establish what information could reasonably have been discovered.

A review of the statements shows Mr R's income was consistent with the £1,800 declared on his application. The statements also show his accounts consistently maintained a positive balance and I don't believe there are any particular signs of financial difficulty or that the small increase in his monthly payment after loan 2 was cleared was unaffordable.

I'm conscious Mr R's representative has said he had a gambling addiction at the time but my review of the statements only shows he made five gambling transactions (totalling £150) with an online casino over the three months prior to loan 3 and I don't think this level of gambling should have alerted Loans 2 Go to a potentially serious problem. I understand Mr R was gambling much more than this, but I note his representative says he was hiding this on his statements with family members overseeing his gambling transactions to help him out. Accordingly, I don't think this situation would have been apparent to Loans 2 Go if it had reviewed his bank statements and I don't think I can reasonably say it should have declined to lend for this reason.

On balance, while I do think Loans 2 Go should have carried out further checks before approving loan 3, I don't think it's likely these should have led it to conclude the loan was unaffordable and I'm satisfied the lending decision was reasonable.

#### *Loan 4*

Loans 2 Go has already concluded this loan shouldn't have been given and I've no reason to question that conclusion. To put things right, it offered to refund all interest and charges with appropriate interest, to write off the outstanding balance and to amend Mr R's credit file to remove all negative information relating to the loan. In my view this is a fair and reasonable offer and one Mr R should consider accepting if he hasn't already.

#### *In summary*

It's for these reasons that I'm not recommending a change in the outcome already proposed for Mr R's complaint. I realise this outcome will be disappointing for him, but I'm satisfied it's fair and reasonable in the circumstances and I hope the additional explanation is helpful.

#### **My final decision**

I'm not upholding this complaint as I'm satisfied Loans 2 Go made a fair offer to settle before the matter was referred to us. If Mr R hasn't already accepted this offer, he should contact Loans 2 Go directly if he now wishes to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 4 June 2024.

James Biles  
**Ombudsman**