DRN-4771068

The complaint

Miss S complains that Loans 2 Go Limited ("L2G") irresponsibly agreed a loan for her.

Miss S has brought her complaint to us via a representative but I will refer to her throughout for simplicity.

What happened

L2G agreed a £1,000 loan for Miss S in December 2021.The total amount owed was £3,700.08 to be repaid at £205.56 a month over 18 months. I understand that Miss S didn't make any payments towards her loan and the outstanding balance was sold to a third party debt collector by June 2022.

Miss S complained to L2G in August 2023 that it didn't carry out sufficient checks before lending to her and it should have seen that the loan was unaffordable.

L2G didn't uphold Miss S's complaint. It said that it carried out stringent checks before lending to her which concluded that the loan would be affordable for her.

Miss S referred her complaint to us. One of our investigators looked into the complaint and didn't recommend that it be upheld. They concluded that L2G had carried out proportionate checks prior to entering into the agreement which didn't show that the loan would be unaffordable for Miss S.

Miss S didn't agree with this recommendation and asked for the complaint to come to an ombudsman to decide. I sent out a provisional decision on 3 April 2024 explaining why I didn't plan to uphold Miss S's complaint. I allowed some time for the parties to provide comments or new information for me to consider in my final decision, and neither party has provided anything further.

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 considered the matter again, and having no comments or new information from either party, I see no reason to depart from my provisional conclusions. I'll explain again why I am not upholding Miss S's complaint in this final decision.

In making my decision, I've had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as L2G, need to abide by. L2G will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise them.

Before entering into a credit agreement, L2G needed to check that Miss S could afford to meet her repayments out of her usual means for the term of the loan, without having to borrow further and without experiencing financial difficulty or other adverse consequences.

The checks needed to be proportionate to the nature of the credit (the amount borrowed, for example) and take into consideration Miss S's circumstances. L2G needed to bear in mind that certain factors might point towards a more rigorous assessment and others towards a less rigorous one when deciding what type of creditworthiness assessment was required. It also needed to pay proper regard to the outcome of its checks in respect of affordability risk. Ultimately, L2G needed to treat Miss S fairly and take full account of her interests when making its lending decision.

The questions I've considered are whether or not L2G carried out a proportionate affordability check before lending to Miss S? If not, what would a proportionate check have shown? Did the checks L2G carried out show anything of concern? Did L2G treat Miss S fairly and with due regard to her interests when it offered her the loan?

L2G said in its final response to Miss S that she'd declared an income of £1,800 when she applied for her loan. L2G said it checked Miss S's income figure using credit reference agency analysis which concluded she received a minimum of around £1,615.65 and it relied on this lower figure in its affordability assessment.

L2G checked Miss S's credit file and found she had existing debts of £7,509. This comprised a loan balance of £6,990 with monthly repayments of £258 and a credit card with a balance of £500. There was no adverse information recorded on her file, such as county court judgements or defaults. A telecoms account taken out in October 2019 with a balance of £19 was shown as being three payments in arrears.

L2G estimated that Miss S spent £300 a month meeting her existing debt repayments and estimated her other monthly expenditure as £930 based on national statistical datasets. It provided the following breakdown of its assessment:

Home costs:	£290
Groceries:	£190
Utilities:	£200
Transport:	£0
Credit commitments:	£300
Other regular expenses:	£250
Total:	£1,230

L2G concluded that Miss S would have enough spare each month to meet the loan repayments of £205.56.

L2G's assessment showed that agreeing this loan for Miss S potentially committed her to spending almost a third of her income repaying debt. While the credit file information L2G relied on didn't show any defaulted debt or court judgements, it did show that Miss S had current arrears on a priority debt. I don't think that L2G ought to have automatically declined Miss S's application but, given these circumstances and bearing in mind that Miss S would need to meet her repayments for the loan over 18 months, I think L2G needed to do more in this instance in order to responsibly continue with its loan offer. So I don't consider that L2G carried out proportionate checks on this occasion.

I've thought about what L2G might have found out about Miss S's circumstances had it carried out a more rigorous check before lending to her. I haven't been provided with any detailed information from Miss S, her bank statements or any other documentation about her means at the time, such as payslips or rental agreements. So I can't say that the figures L2G relied on in its affordability assessment for Miss S's living costs were not reflective of her circumstances.

Miss S said that she had credit commitments which were not shown on the credit check L2G carried out. For example, she'd taken out a credit card on 19 October which had a balance of £478 by the time her loan was agreed on 1 December. She'd also taken out a loan on 14 November which had a balance of £529. Miss S also said that four of her accounts had been passed to third party debt collectors. The balances on these accounts on 1 December 2021 were: £91 which had been passed to a collector on 14 October 2019; amounts of £233, £48 and £771 passed to collectors on 22 June, 14 November and 1 December 2021 respectively. Miss S provided a recent copy of her credit file to support this.

I don't think L2G would have found out all of this information through a more rigorous check because there can be a delay in lenders reporting information to the credit reference agencies and Miss S's bank statements might not have shown all the repayments she was committed to making, given how recently she'd opened some accounts. For example, I doubt Miss S would have made any payments towards her November loan or towards the balances passed to debt collectors in November and December.

L2G might have learnt that Miss S was paying more towards her existing debts than the £300 a month it had estimated because she had a balance on another credit card account and was making payments towards two old debts. However, I don't think this information alone would have led L2G to conclude that its loan would be unaffordable for Miss S or that she was in financial difficulty at that time.

Altogether, while I think L2G should have carried out further checks before lending to Miss S, I can't say that such checks would have led it to decline to lend to her. I haven't concluded that it was irresponsible to lend to Miss S or that it treated her unfairly and so I'm not upholding her complaint.

My final decision

For the reasons I've explained above I am not upholding Miss S's complaint about Loans 2 Go Limited and it doesn't need to take any action in this matter.

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

Michelle Boundy
Ombudsman