

The complaint

Ms B complains that Loans 2 Go Limited was irresponsible in its lending to her. She also complains that the application process and after care was confusing and that the loan is incurring excessive interest. She wants the interest rate on the loan to be reduced.

What happened

Ms B was provided with a £600 loan by Loans 2 Go in June 2023. The loan was repayable over 18 months with monthly repayments of around £123. Ms B says that before the loan was provided adequate checks weren't carried out to ensure the repayments would be affordable for her. Ms B said she applied through a comparison website and that Loan 2 Go's calculators weren't transparent and so she didn't know until after being provided with the loan that it was for 18 months (rather than six months). She said the website was deceiving and the interest rate was excessive meaning the loan wasn't fair value. She also said she wasn't provided with the service she should have been.

Loans to Go issued a final response letter dated 28 July 2023. It said that before lending it carried out checks to ensure the personal and financial information provided by Ms B was accurate. It also carried out a credit check. For Ms B's application Loans 2 Go said that her income was verified through her payslips and that these showed a monthly average income of around £3,350. It said its review of Ms B's application and credit file showed her monthly expenses as around £2,149. As the loan repayments were around £123 a month it said these were affordable.

Our investigator noted that Ms B hadn't raised her complaints about the website and poor customer service with Loans 2 Go and explained that she couldn't consider these as part of her investigation as the business needed an opportunity to consider these first.

Regarding Ms B's complaint about irresponsible lending, she thought the checks carried out by Loans 2 Go before lending to Ms B were reasonable and proportionate. As these didn't suggest the lending to be unaffordable, she didn't think that Loans 2 Go had done anything wrong by providing the loan.

Our investigator also considered Ms B's complaint about the interest rate on her loan. She noted that Ms B was provided with a pre-contract credit information document that contained the key information about the loan including the charges and interest rate. Therefore, she found that Ms B had been provided with the information she needed to be aware of the interest rate before entering into the agreement and so she didn't uphold this complaint.

Ms B didn't agree with our investigator's view. She said that her credit file had more agreements recorded at the time of her application than our investigator had noted. She also said that her income wasn't correct as she was, at times, working 60 hours and so receiving overtime payments but that her basic salary was around half of that amount.

Our investigator responded to Ms B's comments explaining that the credit information she assessed was the information Loans 2 Go had seen when the credit check was undertaken and that loans taken out around the same time might not have appeared in the results due to

the time it takes for a financial event to start to be reported on a credit file. Regarding Ms B's income our investigator said that Ms B had provided three months of payslips which were used to verify her income.

Ms B sent further details of loans that were on her credit file at the time of her application to Loans 2 Go and said that the loan needed to not only be affordable but sustainably affordable over the loan term. She also said that she had provided evidence that Loans 2 Go had declined her loan applications more than 20 times previously due to her indebtedness. She said she had other complaints upheld and asked for her complaint to be reviewed by an ombudsman.

My provisional conclusions

I issued a provisional decision on this complaint, the content of which is set out below.

This decision addresses the issue Ms B has raised about the loan being provided irresponsibly and the interest rate charged. I note Ms B's comment about having other complaints upheld. I want to explain that we assess each case on its individual merits. When making a decision I take all relevant rules, regulations and guidance into account, but my decision is based on what I consider fair and reasonable given the unique circumstances of the complaint. Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the loan was provided, Loans 2 Go gathered information about Ms B's employment and income and verified this through her payslips. It carried out an income and expenditure assessment and undertook a credit check. Noting the loan term, size of the loan and the monthly repayments compared to Ms B's income, I think these initial checks were proportionate. However, just because I think the checks were proportionate it doesn't necessarily mean that the lending should have been provided. To assess that I have looked at the evidence that was received through the checks to see if this raised concerns that meant further questions should have been asked to ensure the loan was sustainably affordable or whether the information raised any other issues that meant the lending shouldn't have been provided.

Ms B declared a monthly income of £3,100 in her application. This was verified with her payslips. Ms B has said that the income used was incorrect as she was working a lot of overtime in the months leading up to the application and her basic income was much lower. I note this comment and the point that Ms B has made about the loan being sustainably affordable over the loan term. But having looked at Ms B's payslips these give a monthly average net income of just over £3,100. The amounts being paid do vary and there are additional payments made for weekend work and other unsocial hours work but the majority of the income is from the basic pay. I appreciate this varies and understand Ms B's comment about her hours but as her payslips record a 'sal/wage' as £35,572 and the amount she declared was supported by her previous three months' income (and I have nothing to suggest Ms B noted this income could reduce in future months), I find it reasonable that a monthly income of around £3,100 was used in the income and expenditure assessment.

A credit check was undertaken that showed no defaulted accounts in the previous six months and no outstanding bankruptcies or county court judgements. The results recorded all accounts as being up to date. Ms B's credit commitments were identified as a credit card balance of £878 (against a £900 credit limit). However, I note that the amount Ms B included for her monthly credit repayments in her application appeared higher than suggested by the credit check and so I think it would have been reasonable to clarify this with Ms B to ensure Loans 2 Go had a clear understanding of Ms B's other credit commitments.

Ms B has said that there were other outstanding loans on her credit file at the time and has provided a copy of her credit report dated March 2024. I have looked through this and it shows that Ms B had several credit cards at the time as well as other loans outstanding. However, her report shows (as was shown in the credit report results received by Loans 2 Go) that she was at the time of application maintaining her repayments and her accounts were up to date.

Had Loans 2 Go asked Ms B further about her credit commitments, I cannot say what would have been disclosed. Ms B did take out new credit around the time of the application and it isn't clear that this would have been identified. I also note that she settled accounts around the time, and it is likely she would have noted this if asked. But considering the credit card balances around the time and the other credit commitments that were in place and not settled, it appears that Ms B had monthly credit commitments of around £900. Ms B has said there were loans that have now been removed from her credit file, but I have relied on the information provided and based on this I think an amount of around £900 is reasonable to be included.

Additional to Ms B's credit commitments, she had contracts for utilities and phone/media contracts. Loans 2 Go gathered information about Ms B's expenses in the application process which showed Ms B's home costs of £499 and then cost for utilities, transport, and other living costs as totalling around £1,200. Adding, the home costs (£499), other costs (£1,200) and credit commitments (£900) gives total monthly expenses of around £2,600. Noting Ms B's monthly net income as £3,100, I do not find I have enough to say the Loans 2 Go repayments of around £123 a month should have been considered unaffordable.

Ms B has said she had multiple previous loan applications to Loans 2 Go declined. While I note this comment, Loans 2 Go's system notes say that while Ms B had made several applications through third parties it made the decision to only purchase one of these and so it had only rejected one of Ms B's applications. Therefore, I do not find I can say this is a reason why the application Ms B made for the June 2023 loan should have been declined.

Ms B has also said the interest rate was excessive. I understand her concerns and the point she has raised. But as information about the loan terms was provided to her before she agreed to the borrowing, I find that she was made reasonably aware of the cost of the loan and the amount she would need to repay and so I do not find I can uphold her complaint about the interest rate.

No new information was provided in response 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.

No new information was provided in response to my provisional decision and so my conclusions haven't changed.

As I set out in my provisional decision, while I think the initial checks carried out were proportionate, based on the information received about Ms B's monthly credit commitments, I think further questions should have been asked about these. However, I find that had further questions been asked these wouldn't have suggested the loan was unaffordable.

Regarding the interest rate charged, Ms B was provided with the details of the loan before she agreed to it, and this included the interest rate and the amount she would need to repay. Therefore, I think Ms B was given the information she needed to make an informed decision about the loan.

In conclusion, I do not find the evidence in this case suggested that the loan was lent irresponsibly and I do not find the other issues raised meant that the loan shouldn't have been provided. Therefore, I do not uphold this complaint.

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 Ms B to accept or reject my decision before 21 June 2024.

Jane Archer
Ombudsman