

The complaint

Mr P complains that Loans 2 Go Limited lent to him irresponsibly. He says that proper checks would have revealed he had arrears, he had a poor credit record and he carried out betting and gambling transactions.

What happened

Mr P took two loans with Loans 2 Go and this brief table gives a few details.

Loan	Approved	Capital sum	Total to repay	Repayment terms	Status
1	9 February 2022	£600	£2,219.88	£28.46 each week for 77 weeks = £123.32 a month	Withdrawn - paid off 8 March 2022
gap					
2	5 September 2023	£1,000	£3,700.08	£205.56 a month for 18 months	In arrears and outstanding

In February 2024, Loans 2 Go's account notes indicate that it corrected Mr P's credit file by removing Loan 1 from his credit file as it had been withdrawn.

Mr P applied for £1,500 for Loan 2 but Loans 2 Go offered £1,000 having carried out affordability checks. Loan 2 has been in arrears and since April 2024 Mr P has arranged a payment plan with Loans 2 Go through a third party.

Mr P complained to Loans 2 Go using an on-line complaint handling service in January 2024. He indicated that he had a gambling problem. Mr P has described his gambling issues as under control now as he's sought assistance and is dealing with his multiple debts.

Loans 2 Go sent to Mr P its final response letter (FRL) on 13 February 2024 and gave reasons why it did not uphold his complaint. It explained the checks it had carried out and some of the details it had found out or had been given by Mr P. It explained that it was content that the interest level was explained to him and for loan 2, a Loans 2 Go representative had spoken to Mr P about the interest charged.

In the FRL it offered to reduce the outstanding interest on the loan by 50% which would have left Mr P with a new balance to pay of £1,523.36. We've been informed that the offer in the FRL is not available to Mr P now.

Mr P referred the complaint to the Financial Ombudsman Service. Our investigator considered loan 2 only and gave reasons why he felt that Loans 2 Go had carried out proportionate checks and it would not have recognised Mr P's gambling transactions nor that they were a problem to him. He did not think that it needed to put things right for Mr P.

Mr P disagreed. He made further submissions and sent us more evidence, all of which I have read. The unresolved complaint was passed to me to decide.

Having reviewed it I asked our investigator to write to both parties for more information and I informed Loans 2 Go that I would be reviewing the whole lending relationship not just Loan 2.

I received evidence and information from both parties. This included a copy of the recorded call made between the Loans 2 Go representative and Mr P on 5 September 2023.

On 5 September 2024 I issued a provisional decision giving reasons why I considered that the complaint should be upheld for loan 2. That is duplicated here and it sets out my reasonings and findings.

What I provisionally decided – and why – on 5 September 2024

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints about unaffordable/irresponsible lending including all of the relevant rules, guidance, and good industry practice - on our website. And I've used this approach to help me decide Mr P's complaint.

Loans 2 Go needed to make sure it didn't lend irresponsibly. In practice, what this means it needed to carry out proportionate checks to be able to understand whether Mr P could afford to repay any credit it provided. 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 checks to be less thorough – in terms of how much information is gathered and what is done to verify it – in the early stages of a lending relationship.

But we might think more needed to be done 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 firm to be able to show that it didn't continue to facilitate a customer's loans irresponsibly. I've carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr P's complaint.

Loan 1

Mr P had declared in the application form he was self-employed and earning £3,250 each month. Loans 2 Go has explained that it did a verification check on his income, and the figure it saw as the minimum income figure was £1,765 monthly. I consider that this was a significant disparity between those two figures. So, this led me to asking both parties for more details about the income used in the creditworthiness assessment.

I asked Loans 2 Go about this. It confirmed that

'our affordability checks take into account the net income for individuals and are based on the income we can verify.'

I asked Mr P to give me accurate figures of his income each month for the period leading up to his application for loan 1. Broadly it seems that his income may have been a bit less than the figure Mr P declared to Loans 2 Go but more than the figure it used. Loans 2 Go likely used the £1,765 as the monthly income and so even if it had checked for more detail on Mr P's income then I do not think it would have made a difference to the lending decision for Loan 1.

The expenditure figures Mr P gave to Loans 2 Go would have been reasonable to use as a starting point as Loans 2 Go has said in the FRL that it augments that information by cross referral with statistical figures. Mr P had told Loans 2 Go that his expenditure (including £350 a month on credit commitments) was at total of £1,000 each month.

Loans 2 Go used a figure of just over £1,316. The monthly loan instalment was due to be just over £123 and so if it used the minimum figure it said it had verified of £1,765 then the loan

would have appeared affordable. And as I think that any further checks about Mr P's income likely would have led it to recognise Mr P earned more than £1,765 each month (after tax) then still I think that the information Loans 2 Go would have received would show that the loan was affordable.

Loans 2 Go carried out a credit search and I've seen a copy of that report. Mr P's total debt was £12,155 and he had five credit cards of which most were at, or close to, their limits. The credit search showed that Mr P had taken other loans in the past but showed no arrears and that they'd been paid off satisfactorily, save for the County Court Judgment (CCJ) debt of £474. This CCJ dated from August 2018 and he'd paid it off in December 2020 which was 14 months before applying to Loans 2 Go for Loan 1. Lenders such as Loans 2 Go are used to seeing adverse credit history for applicants. I did think about the CCJ but it had been three and a half years before Mr P applied for Loan 1. And it had been paid off. So, on its own I do not consider that the historic CCJ was a reason not to lend to Mr P.

Loans 2 Go knew that Mr P had been in arrears on a hire purchase agreement which was scheduled to cost him £307 a month. The account had been rectified but the record Loans 2 Go had showed that in the previous nine months he'd been in arrears for five of those months..

Because the CCJ was August 2018 and because the arrears on the HP agreement were present but had been rectified, then I think that overall, for a £600 loan when Mr P was a new customer to Loans 2 Go, I don't think that it needed to do more than it did. It carried out proportionate checks, Mr P had enough disposable income to afford £123 a month and so I do not consider that it lent irresponsibly. I plan not to uphold the complaint about loan 1.

Loan 2

I've seen the account notes for Loan 2 and it's clear that Mr P's history relating to loan 1 had been noted when he reapplied for a second loan 18 months later. He'd had an issue with the high interest being charged on Loan 1 and that was the reason cited for the withdrawal from Loan 1. And the Loan 1 statement and account notes show that Mr P was unable to start repaying Loan 1 from the start. So, the lending history for Loan 1 was not positive during the short period for which Mr P was a customer.

Before approving Loan 2, Loans 2 Go's account notes show me that it had chosen to check with Mr P about his business so it had known about his self-employed status. I've listened to the recorded call between Mr P and a Loans 2 Go representative on 5 September 2023 when details of the loan were read to him. And it checked on his self-employed status.

Mr P had applied for a £1,500 loan. Loans 2 Go during the call explained that it could offer £1,000 only because of the affordability checks it had done. The representative pointed out the total amount to repay was £3,700.08 and that it was a lot of interest to pay if the loan went to full term, but the method to keep it cheaper was to try to pay it off earlier.

Mr P had declared an income of £3,466 and Loans 2 Go used a verification process and decided that the income figure was around £3,273. Having asked Mr P about his income as a self-employed individual I think that was broadly correct.

Loans 2 Go used Mr P's declared expenditure plus his credit file to calculate that his expenditure (including the monthly cost of his existing credit commitments) was just over £2,720. So, it considered that the monthly repayment of just over £205 was affordable.

Loans 2 Go did a credit search. It showed that his overall debt was £10,706. In the previous month his credit card use had been around 67% of the total credit limits available to him. In the previous 6 months it had been 80%. So that had been quite high.

The CCJ from before had registered but by this date it was five years since the judgment. I would not have expected that to have had much of an influence on Loans 2 Go's approach to the lending due to the age of it.

Loans 2 Go knew Mr P had opened four accounts in the previous 12 months and his worst payment status was a '3' which means three months in arrears. This was on the HP agreement account which now had an even worse record than 19 months before when he'd applied for Loan 1.

In the previous 13 months the account had been in arrears more than it had been up to date. And so, if Mr P was not likely able to afford this lending then I doubt that he was likely going to be able to pay for this new loan plus his HP.

So, I do think that further checks ought to have been carried out. I think that Loans 2 Go ought to have found out how he was going to pay for this loan for 18 months in a sustainable way without having to borrow again. Even if he'd used the £1,000 from Loans 2 Go to pay off the three months of arrears on the HP account, still that would have left him with both debts to pay going forward. And so, I do consider that this ought to have alerted Loans 2 Go that there may be a reason for not being able to keep up with his vehicle repayments.

And one way, to carry out such additional checks, not the only method available, is to view the person's bank account transactions.

If it had carried out such checks then I think it would have seen that Mr P had additional financial commitments about which it would have been unaware from using statistical data – such as child maintenance. And it would have seen the gambling transactions which were extensive and had been carried out for a long time. These were often hundreds of pounds each day, amounting to several thousand pounds in a month.

Having done that I do not think that Loans 2 Go would have lent to Mr P and I plan to uphold the complaint about Loan 2.

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.

Both parties were given time to respond to my provisional decision. Loans 2 Go did not reply. Mr P acknowledged receipt of the provisional decision and did not make any further points in relation to the outcome. He did ask about the process which our investigator explained to him.

As the reply date has passed, it seems fair and reasonable for me to issue the final decision. As neither party has given me any reason to depart from the findings I made in that provisional decision then those findings are repeated here. For the same reasons I uphold the complaint about loan 2.

Putting things right

My understanding is that Loans 2 Go still owns the loan and Mr P has an arrangement with a third party to pay Loans 2 Go in a payment plan. Mr P and Loans 2 Go will need to engage that third party to ensure that the redress set out in the following paragraphs is carried out.

Loans 2 Go needs to:

- A. Remove all interest, fees and charges applied to Mr P's second loan. The payments Mr P made to Loans 2 Go should be deducted from the £1,000 originally lent. If Mr P has already paid Loans 2 Go more than £1,000 then it should treat any extra as overpayments.

And any overpayments should be refunded to Mr P along with 8% simple interest per year from the date the over payment arose until the complaint is settled*;

B. However, if there is still an outstanding balance then Loans 2 Go should continue with the repayment plan with Mr P (subject to both parties agreeing to that). I would remind Loans 2 Go of its obligation to treat Mr P fairly and with forbearance.

C. Loans 2 Go should remove any adverse information recorded on Mr P's credit file in relation to Loan 2.

*HM Revenue & Customs requires Loans 2 Go to deduct tax from this interest. It should give Mr P a certificate showing how much tax it has deducted if he asks for one.

I've considered whether the relationship between Mr P and Loans 2 Go might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed should be carried out for Mr P results in fair compensation for him in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

My final decision is that I uphold the complaint in part and I direct that Loans 2 Go Limited does as I have outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 16 October 2024.

Rachael Williams
Ombudsman