

## **The complaint**

Mr K is being represented by his wife. He's complaining about Loans 2 Go Limited because he says it lent irresponsibly by providing him with a loan he couldn't afford.

## **What happened**

In February 2023, following his application, Loans 2 Go gave Mr K with a loan of £800. This was repayable over 78 weeks at £37 per week.

Our investigator didn't conclude the complaint should be upheld. She felt Loans 2 Go had carried out an appropriate affordability assessment and made a reasonable decision to lend.

Mrs K didn't accept the investigator's assessment. She maintains Loans 2 Go didn't check affordability properly, saying the amounts quoted by Mr K in his application for food and utilities was unrealistic and that she didn't believe it had taken account of the fact he had four dependents.

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 conclusions as the investigator, and for broadly the same reasons. 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 K, 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 are:

- Did Loans 2 Go complete reasonable and proportionate checks to establish Mr K 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 K's loan was affordable before it was approved. This included:

- information contained in his application, including his employment status and her income, which was separately verified;

- information obtained from a credit reference agency (CRA), giving details of her 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, along with actual data from the CRA about the cost of his existing credit arrangements.

In making his application, Loans 2 Go's records indicate Mr K declared his monthly income was £5,000. Loans 2 Go says its attempts to verify this figure suggested this was closer to £3,100 and that's the figure it used in its affordability calculation.

In terms of outgoings, the application records show Mr K disclosed he had 4 dependents and stated his essential monthly expenditure was £1,470. Loans 2 Go says it compared this to modelled statistical data that suggested it was more likely to be around £2,500 and that's the figure it used in the affordability calculation and led it to conclude the weekly loan repayments were affordable.

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 Mr K's actual expenses by reference to his bank statements for example. But in view of the amount of credit being offered and the information Loans 2 Go already had about his income and existing commitments, I think it was a reasonable approach in this case.

Loans 2 Go also carried out a credit check and has provided us with the information it received. This showed that Mr K had existing debt of around £4,200 and that his outstanding credit card and mail order account balances were much less than the available limits. The credit check also showed he was up to date with repayments and had no recent history of arrears or defaulted debt.

After considering this information carefully, I don't think there was any indication Mr K may have been struggling financially at this point. He wasn't heavily indebted compared to his income and he seemed to be managing his existing commitments well. On balance, I'm satisfied Loans 2 Go carried out a reasonable and proportionate affordability assessment.

I've also considered Loans 2 Go's lending decision based on the information obtained from what I believe to have been a proportionate affordability assessment. In my view, it was entitled to believe the new loan repayments would be affordable and that the decision to lend was a reasonable one.

In considering this complaint, I have taken note of the reasons Mrs K says her husband applied for the loan. But Loans 2 Go wouldn't have known the surrounding circumstances and couldn't have taken them into account. It says the application did include a question about whether he suffered from a gambling or other addiction, which was answered 'no', and I'm not aware of anything it saw that should have made it think that wasn't correct.

In reviewing this complaint, I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Loans 2 Go lent irresponsibly to Mr K or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

It's for these reasons that I'm not upholding Mr K'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**

For the reasons I've explained, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 18 July 2024.

James Biles  
**Ombudsman**