

The complaint

Miss T complains that Loans2Go (“Loans2Go”) irresponsibly granted her a loan she couldn’t afford to repay.

What happened

In May 2023, Miss T took out a fixed sum loan agreement for a loan for £2,000 that was repayable over 24 months. Under the terms of the loan agreement Miss T was required to pay monthly repayments of £269.33. The total repayable under the agreement was £6,463.92.

Miss T said Loans 2 Go didn’t complete adequate affordability checks and so this led to her getting into financial difficulty with the loan. She has also told us about personal issues that had an impact on her ability to repay the loan.

Loans 2 Go didn’t agree. It said it carried out a thorough assessment which included checks that were fair and proportionate.

Our Investigator didn’t recommend the irresponsible lending complaint be upheld. But she also thought Loans 2 Go hadn’t done enough to assist Miss T when she asked to pay off part of the loan by returning a lump sum.

As Loans 2 Go didn’t agree with our investigator’s finding, the complaint has been passed to me for a final 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.

Loans 2 Go will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Did Loans 2 Go complete reasonable and proportionate checks to satisfy itself that Miss T would be able to repay the agreement in a sustainable way?

I’ve seen that Loans 2 Go asked Miss T for details of her income, housing costs and regular expenditure as part of the application process. Miss T told Loans 2 Go she was receiving a monthly income of £2,750. Loans 2 Go says it verified this figure as being just over £2,000. Miss T also said she had monthly outgoings, including credit and non-credit commitments such as household costs, of around £1,200.

Loans 2 Go also carried out checks with a credit reference agency and used statistical information to work out what her other monthly outgoings were likely to be so as to arrive at a figure for disposable income. This led to Loans 2 Go calculating that the monthly payments

were likely to be affordable for Miss T, suggesting her monthly outgoings, including credit payments, were around £1,500.

Miss T didn't have any recent adverse markings showing on her credit file, such as a default or county court judgment. But she did have a store card that showed two recent missed payments. She also looked to be making heavy use of the overdraft facilities she was operating with a bank and two building society accounts.

I consider that before agreeing the loan, Loans 2 Go ought to have done more to ensure its checks were proportionate by gaining a more thorough understanding of Miss T's financial circumstances. This would have included asking her for more detail about her income, such as payslips, so as to be verify her income. Without a better understanding of what she had coming in each month, I don't consider that Loans 2 Go could fairly assess that the repayments would be affordable for her.

Similarly, her recent missed payments on credit and substantial overdraft use suggest that her overall financial position might have been at risk of deteriorating. So I think in this instance a more borrower-specific approach would have been needed in order to better understand Miss T's financial circumstances - rather than relying only on statistical data

If reasonable and proportionate checks weren't completed, would reasonable and proportionate checks more likely than not have shown that Miss T were more likely than not unable to sustainably repay what you were being lent?

I've looked to see what Loans 2 Go would likely have found out if it had completed reasonable and proportionate affordability checks. We asked Miss T to provide us with evidence of her financial circumstances at the time the lending was taken out. Miss T sent us some bank statements. Reviewing bank statements are one of the ways that Loans 2 Go could have verified Miss T's expenditure. In the absence of anything else, these give a good indication of what Loans 2 Go would likely have found out had it completed proportionate checks.

The statements show that Miss T's regular committed monthly expenditure at the time was broadly speaking around £1,000. In calculating this figure, I've included Miss T's key household spending plus her monthly credit repayments, including rent, bills and food. At the time her income was between £1,600 and £1,700. Taking these figures into account, it appears to show the agreement was affordable to Miss T. For this reason, I'm not persuaded that Loans 2 Go acted unfairly in approving the finance.

I've also kept in mind that Miss T told our investigator that when she applied for the finance she had expected to soon be earning a higher income. But all the indications I've seen suggest that Miss T was in a position to affordably meet the repayments and to do so on a sustainable basis.

It follows that, based on what I've seen I don't think that taking on the monthly payments required under the agreement could be considered to be unaffordable at the time Miss T applied for the loan. Had Loans 2 Go carried out better checks at the time I think it's likely it would have seen this too. I therefore don't think Loans 2 Go acted unfairly in approving the lending.

Has Loans 2 Go treated Miss T unfairly in any other way?

Miss T contacted Loans 2 Go the day after entering into the agreement and receiving the loan funds to see if she could agree a lower repayment. She offered to repay £750 in the

hope that this would immediately reduce her loan repayments. However, whilst Loans 2 Go accepted the repayment, they told her the contract couldn't be changed and that the total number of repayments would be reduced by two. So it wouldn't reduce the loan repayments or the interest that was payable.

For the avoidance of any doubt, this issue was flagged by Miss T in her complaint to this service.

The account notes also reflect that Miss T tried again to reduce the loan balance in early June 2023, but it's not clear from my reading of the notes whether Loans 2 Go properly responded to this request.

I've also seen that in mid-July 2023 Miss T told Loans 2 Go that she was struggling with meeting her repayments due to a health condition and other factors affecting her personal situation. This led Loans 2 Go to cancel her due payments for July and August.

Loans 2 Go provided an early settlement figure in July 2023 which it reduced by 25% as an offer of goodwill. But Miss T said this wasn't affordable to her. Loans 2 Go also offered a further early settlement figure in October 2023, by which time the settlement figure was considerably higher. This was also not taken up.

Miss T had another payment holiday, covering her January 2024 payment. She again suggested making a lump sum payment but this didn't go ahead as far as I can see. Loans 2 Go offered her another early settlement figure which it reduced by 20% but Miss T again didn't take this up.

Also, between May 2023 and February 2024 Loans 2 Go agreed in principle to lower repayments, having carried out income and expenditure assessments, but these were not put in place.

Whilst I can see that Loans 2 Go has taken steps to seek to accommodate Miss T's difficulties with meeting the repayments, Miss T was unable to take these up as she was unable to afford the early settlement sums that were provided.

Miss T did however have the statutory right to make a part early repayment to the agreement if she wished to. This is also set out in the agreement terms. But I can't see that she was advised of this by Loans 2 Go at the time enquired about paying back £750 after the agreement had started.

I therefore agree with our investigator that Loans 2 Go ought to have advised Miss T that she had the right to make an early repayment and to benefit under the terms of the agreement from doing so. It didn't do this and so I think it's fair and reasonable for Loans 2 Go to return her to the position she would have been in had this been actioned at the time.

I've also considered whether the relationship between Miss T 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 Miss T results in fair compensation for her in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right – what Loans 2 Go needs to do

I don't think Loans 2 Go made an unfair lending decision, given that better checks would likely have shown the borrowing to be affordable.

But Loans 2 Go ought to have given Miss T the opportunity to reduce the regular amounts she would have to pay when she offered to make a lump sum payment. I don't think it was fair of Loans 2 Go only to use the repayment simply to reduce the total amount repayable, rather than reducing the monthly repayments and interest that was due. Loans 2 Go therefore ought to have treated the overpayment as a partial early settlement, but it didn't do so.

Loans 2 Go therefore needs to:

- Rework the account as if the overpayment of £750 had been accepted and treated as a formal partial early settlement, refunding interest in line with the formula in The Consumer Credit (Early Settlement) Regulations 2004) and reducing the monthly payment;
- For any months where Miss T has paid more than what the new monthly payment would have been had that happened, refund the difference along with 8% simple interest calculated from the date of each monthly payment to the date of settlement. This may be offset against any arrears;

and

- Arrange an affordable repayment plan with Miss T for any remaining balance.

My final decision

I am partly upholding this complaint and require Loans 2 Go Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 29 October 2024.

Michael Goldberg
Ombudsman