

## The complaint

Mr W complains that Loans 2 Go Limited (L2G) acted irresponsibly when they agreed to lend to him on several occasions.

In bringing his complaint Mr W is represented by a third party. For ease of reading I will only refer to Mr W in my decision.

## What happened

Mr W applied for several Fixed Term loans with L2G as detailed below:

Date	Loan	Amount	Total Repayable	APR	Period	Monthly repayment
18/11/2019	*8175	£1,000	£4,114.08	1013.20%	18 mths	£228.56
10/09/2020	*0504	£600	£2,468.34	1013.10%	18 mths	£137.13
18/11/2020	*1641	£600	£2,468.34	1013.10%	18 mths	£137.13
09/12/2020	*5187	£600	£2,468.34	1013.10%	18 mths	£137.13
30/12/2020	*7655	£500	£2,057.04	1013.20%	18 mths	£114.28
31/12/2021	*4148	£600	£2,219.94	769.90%	18 mths	£123.33

Mr W said L2G acted irresponsibly in lending to him as they didn't adequately check his financial situation before they agreed to lend to him. He complained to L2G.

L2G said they'd carried out a number of "*stringent*" checks before agreeing to lend to Mr W. They'd considered his application data, checked his credit history and used statistical data to determine his outgoings. And based on these checks they considered the lending was affordable for Mr W as he'd sufficient disposable income to sustain the repayments.

Mr W didn't agree and referred his complaint to us.

Our investigator said that L2G had carried out proportional and reasonable checks for loans one and six. But they should have done more for the other loans as it was clear the product wasn't suitable for Mr W's financial needs.

L2G didn't agree they said their checks had shown the lending was affordable. And Mr W hadn't raised concerns about the lending. They asked for the complaint to be decided by an ombudsman.

## 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.

The rules and regulations when L2G lent to Mr W required them to carry out a reasonable

and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check.

The checks also had to be borrower focused. So L2G had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Mr W. In other words, it wasn't enough for L2G to simply think about the likelihood of them getting their money back, they had to consider the impact of the loan repayments on Mr W.

*Fixed Term Loan - \*8175 £1,000.*

I can see L2G asked for some information from Mr W before they approved the loan. I can see they considered Mr W's application data, used credit reference agencies (CRA) to understand his existing monthly credit commitments and statistical data to determine Mr W's expenditure. From these checks L2G concluded Mr W had enough disposable income for the loan to be affordable. But I can see from L2G's records that Mr W's declared income was higher than that L2G assessed it to be. And Mr W's declared outgoings were lower than the statistical data would deem them to be for someone in Mr W's circumstances. Which could be a sign that Mr W was presenting his financial situation in a more favourable way to ensure the loan was approved.

But given the size and term of the loan and the cost of the monthly repayments relative to Mr W's declared income I think these checks were proportionate. And I don't think L2G acted unfairly in agreeing to lend to him.

*Fixed term loan \*0504 £600.*

Mr W applied for another Fixed Term loan for £600 in September 2020. The annual percentage rate for the loan was 1013.1% which meant Mr W would have to repay in total £2,468.34 over 18 months at £137.13 a month.

L2G again asked for some information from Mr W before they agreed to the loan I can see they considered Mr W's application data, used a CRA to understand his existing monthly credit commitments and credit history. And statistical data to determine Mr W's monthly income and expenditure. Again from L2G's records I can see that Mr W said his income was higher than that L2G assessed it to be. And his outgoings were statistically lower than expected.

It's also recorded that Mr W questioned the total amount that would need to be repaid and the interest charge being applied. The records show Mr W questioned the legality of L2G being able to provide loans with such a high interest rate. And that he would be looking to pay back the loan within the cooling off period which I think shows Mr W needed a short term loan rather than the product being offered by L2G. This is further supported by how Mr W managed his first loan with L2G as the records show he was late paying his first repayment, tried to make the payment using other credit. And after he missed his second repayment, he asked for an early settlement paying £1,409.44 in February 2020.

Mr W's credit history showed he'd a couple of communication accounts, a credit card with a credit limit of £750 which was at 80% utilisation and a current account with an overdraft limit of £1,220 which was being fully utilised.

Mr W declared his income to be £2,700 but L2G's checks assessed his income to be £1,816.46. Mr W declared his outgoings to be £820, which using the application data provided by Mr W would show he'd a disposable income of £1,880. Using his credit history and statistical data L2G determined Mr W's outgoings to be £1,409.23 meaning he'd a

disposable income of £407.23. As the repayment under the agreement was £137.13 a month it would appear to be affordable for Mr W. But considering the amount Mr W was looking to borrow £600, he's declared disposable income of £1,880, I question the suitability of an 18 month loan where Mr W was agreeing to pay back £2,468.34 for an amount he should have been able to find from his disposable income, even using L2G's figures within a couple of months. I think this indicated Mr W was in a harmful cycle of borrowing to repay a short-term financial need.

L2G's notes show Mr W's application was referred for further consideration but I haven't seen any evidence as to establishing the purpose of the loan and why Mr W was looking to borrow from them when he was clearly unhappy about the product being offered. So, although I think the checks carried out by L2G would appear to show the lending was affordable for Mr W. I don't think L2G made a fair lending decision based on the information they had.

*Fixed term loan \*1641 £600, \*5187 £600 and \*7655 £500.*

Mr W applied for Fixed Term loans on 18 November 2020, 9 December 2020 and 30 December 2020. All were taken out for a period of 18 months but again from L2G's records Mr W was looking to settle the agreements quicker than that. Again showing he was in a pattern of harmful borrowing.

I can see from L2G's records that Mr W had missed the first repayment on his previous loan \*0504. And after requesting an early settlement, which the notes show Mr W thought was too expensive, he'd paid £812.53 on 02 November 2020.

Mr W next applied on 18 November 2020, only a couple of weeks later for another loan \*1641 for £600. He declared his income to be £2,750 and his outgoings £1048 meaning he'd a disposable income of £1,702. L2G assessed Mr W's income to be lower at £1,864.96 with his outgoings assessed at £1,452.73 leaving him with a disposable income of £412.23. His credit file didn't show any new loans being taken out other than the previous loans with L2G that had been settled by Mr W. The credit check did show Mr W was now using 97% of his credit card limit and he was still fully utilising his overdraft.

I can see from L2G's records that Mr W wanted to settle the agreement within the 14-day cooling off period and tried to pay with a credit card belonging to his partner, which wasn't accepted. He subsequently paid £647.91, and the loan was considered as withdrawn on 02 December 2020.

Mr W next applied on 9 December 2020, a week later for another loan \*5187 for £600. He declared his income to be £2,750 and his outgoings £1048 meaning he'd a disposable income of £1,702. L2G assessed Mr W's income to be lower at £1,861.11 with his outgoings assessed at £1,448.88 leaving him with a disposable income again of £412.23. His credit file didn't show any new loans being taken out other than the previous loans with L2G that had been settled by Mr W. The credit check did show Mr W was now using 100% of his credit card limit and 92% of his overdraft. He subsequently paid £623.91 and the loan was considered as withdrawn on 16 December 2020.

Mr W next applied on 30 December 2020, a couple of weeks later, for another loan \*7655 for £500. He declared his income to be £2,750 and his outgoings £710 meaning he'd a disposable income of £2,040. L2G assessed Mr W's income to be lower at £1,745.11 with his outgoings assessed at £1,355.72 leaving him with a disposable income of £389.39. His credit file didn't show any new loans being taken out other than the previous loans with L2G that had been settled by Mr W. The credit check did show Mr W was still using 100% of his credit card limit and he was over his overdraft limit – 103%. He subsequently paid £534.11,

and the loan was considered as withdrawn on 11 January 2021.

In making his complaint Mr W has referred to the loans as Payday lending. These are typically small cash loans intended for short-term use. They're usually for amounts between £50 and £1000, payable on the consumer's next payday. And we'd consider this to be high cost short term credit. I think its clear from the loan amounts Mr W applied for, and the time frame he was looking to settle the loans he was using the product for short term lending. And Mr W was settling loans in the same month he was taking on further lending I think from the information L2G had it was clear Mr W was in a cycle of borrowing that was costly and unsuitable for his financial needs. So, I don't think L2G acted responsibly in lending to him.

#### *Fixed Term loan \*4148 £600*

Mr W's next application was made at the end of December 2021 for £600. I can see L2G identified that Mr W had withdrawn three previous loans within the preceding 12 months and further checks were made by L2G about this. Mr W said he'd received a dividend payment that had allowed him to settle the loans. He declared his income to be £3,500 and his outgoings £1,554 meaning he'd a disposable income of £1,946. L2G assessed Mr W's income to be lower at £2,098.68 with his outgoings assessed at £1,617.25 leaving him with a disposable income of £481.43. His credit file did show Mr W had taken on several short term loans, two in May 2021 for £300 and £219 respectively, and one in June 2021 for another £300 all of which had been settled within a short time period. Mr W's credit card was at 97% utilisation, and he was using 100% of his overdraft.

It had been 12 months since the last loan Mr W had applied for with L2G. And in agreeing to lend to him L2G has shown they'd not only checked his income and expenditure, but they'd also considered Mr W's previous history with them. There was also evidence to show that Mr W had used short term lending products from other lenders within the 12 months which showed he was aware of other financial options for his financial needs. I can see L2G also checked Mr W's understanding about the product they offered by providing the key financial information about the loan to make sure it was the right product for his needs.

Given the size and term of the loan and the cost of the monthly repayments relative to Mr W's income and outgoings I think these checks were proportionate. So, I don't think L2G acted unfairly in agreeing to lend to Mr W as there wasn't any evidence at this time to show Mr W would be using this loan as a short-term fix rather than adhering to the loan agreement. And he'd sufficient disposable funds to sustain the repayments.

I've also considered whether L2G acted unfairly or unreasonably in some other way given what Mr W has complained about, including whether their relationship with him might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974. But because I partially uphold Mr W's complaint already for the reasons I've explained I don't think I need to make a finding on this. I believe the redress I've suggested results in fair compensation for Mr W in the circumstances of his complaint

#### **Putting things right**

Where we find that a business did something wrong, we'd usually expect that business – in so far as is reasonably practicable – to put the consumer in the position they would be in now if that wrong hadn't taken place. But when it comes to complaints about irresponsible lending this isn't straightforward.

Mr W has received the funds in question and will have used them. So, in these circumstances, we can't undo what's already been done. So, I've considered what I think is

fair and reasonable taking into account the particular circumstances of the case.

As Mr W has had use of the money he was lent for loans \*0504 - £600, \*1641 - £600, \*5187 - £600 and \*7655 - £500 it's fair that he should pay back the money lent to him. But L2G should refund all the interest, fees and charges added as a result of the funds that were irresponsibly lent and ensure that Mr W pays no more than the amount lent. If this results in him having paid too much, then any overpayments should be refunded, adding \*8% simple interest from the date of payment to the date of settlement.

### **My final decision**

I partially uphold this complaint. And ask Loans 2 Go Limited to:

- Remove all interest and charges applied to loans \*0504, \*1641, \*5187, and \*7655. If the rework results in a credit balance, this should be refunded to Mr W along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement.
- Remove any adverse information regarding these loans from Mr W's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 2 October 2024.

Anne Scarr  
**Ombudsman**