

The complaint

Mr B complains that Loans 2 Go Limited was irresponsible in giving him a loan.

What happened

On 17 April 2023 Mr B borrowed £800 from Loans 2 Go Ltd. The Annual Percentage Rate ("APR") was 269.9% and the monthly sum payable was £164.44 over 18 months. The total cost amounted to £2,959.92.

Mr B has not been able to keep up with the payments and I gather Loans 2 Go Ltd has sold the loan. Mr B complained to the business but it rejected his complaint and so he brought a complaint to this service. It was considered by one of our investigators who recommended it be upheld.

She didn't consider the business had carried out proportionate checks and suggested if it had completed a fuller financial review it would have established Mr B's outgoings and actual income. It also had a credit report which showed Mr B had a CCJ, a HP agreement which he was struggling to manage and credit card accounts which were close to or over their limit.

Loans 2 Go Ltd didn't agree and said it expected some adverse information on a customer's credit file given the type of lending it offered. It also noted the HP agreement was up to date.

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 reviewed all the material supplied by both parties I have concluded this complaint should be upheld. I will explain why.

In order for me to be able to uphold Mr B's complaint I need to be satisfied Loans 2 Go didn't follow the correct rules and regulatory requirements when it provided the loan to Mr B. The rules that lenders need to follow are set out in a mix of regulations and legislation. A summary of the relevant code can be found on the FCA website under the Consumer Credit sourcebook ('CONC'). I have kept these rules in mind when reviewing Mr B's complaint.

When providing credit to a consumer, businesses must check two basic things. Firstly, the loan must be affordable, that is the business has to check that the consumer's priority bills (like food, rent/mortgage and heating etc.) are fully covered before it considers how much disposal income is left and whether the loan repayment would be affordable within that amount. Secondly it has to consider if the loan is sustainable. In other words, is it likely that the consumer will be able to maintain the monthly loan repayments over the full term of the loan without it causing financial problems?

In order to establish these two things businesses must carry out checks at the point of application. However, the rules set out in CONC don't require lenders to carry out specific checks, but rather 'sufficient' checks. Which means businesses can decide what sort of

checks to run and what levels of risk they are prepared to take when providing loans to people.

Loans 2 Go Ltd assumed Mr B's income to be a minimum of £1913.99 compared to the figure used by him in his application form of £2,250. It also calculated his outgoings to be £1524.44. Having reviewed three months of bank statements from the time his average income was £1,952 which is not significantly more than the figure used by Loans 2 Go Ltd.

I have also seen a relatively detailed list of Mr B's outgoings and these come to £1,995. Using that figure it is clear that the loan was unaffordable. It seems to me that had the business carried out a more thorough review of Mr B's outgoings it would most likely not have made the loan.

I note that the reference agency used here returns credit scores up to 1,000; the higher the score, the more 'credit worthy' the consumer is. Looking at Mr B's credit file, at the time of his application his score was 255 – a poor score. But I acknowledge that Loans 2 Go Ltd specialise in lending to consumers with less than perfect credit ratings, so a poor score in itself doesn't mean the lending was unreasonable, but it is something I'd expect any lender to take into account.

It is also apparent from his credit history that he has struggled to meet his financial commitments and had a 99% utilisation of his credit card limit as well as a CCJ. Overall, I think that the various elements making up Mr B's financial position are not supportive of the loan application succeeding. Indeed, this proved to be the case when he was unable to meet the monthly repayments.

I consider that had Loans 2 Go carried out a more extensive examination of Mr B's situation it is unlikely it would have approved the loan.

Putting things right

Add up the total amount of money Mr B received as a result of having been given the loan. The repayments Mr B made should be deducted from this amount.

a) If this results in Mr B having paid more than they received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). †

b) If any capital balance remains outstanding, then Loans 2 Go Ltd should arrange an affordable and suitable payment plan with Mr B.

† HM Revenue & Customs requires Loans 2 Go Ltd to take off tax from this interest. Loans 2 Go Ltd must give Mr B a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that I uphold this complaint and I direct Loans 2 Go Limited to put the matter right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 November 2024.

Ivor Graham
Ombudsman