

## **The complaint**

Mr B complains that Loans 2 Go Limited did not carry out proportionate checks before granting him a loan.

## **What happened**

In March 2021 Mr M took out a loan for £250 with an interest rate of 17.3% repayable over 18 months at £57.14 a month.

In April 2024 Mr M, using a professional representative (“PR”), contacted Loans 2 Go complaining that the loan should not have been granted. Loans 2 Go asked for more information, but when this was not forthcoming it sent a final response letter rejecting the complaint. In that letter it set out in some detail how it had reached the decision to lend the money to Mr M.

PR submitted a complaint to this service on behalf of Mr M. It was considered by one of our investigators who recommend it be upheld. He sought further information from both parties including Mr M’s bank statements from early 2021. Having reviewed the material he thought that Mr M’s financial situation was not as robust as Loans 2 Go had concluded.

Loans 2 Go didn’t agree and said Mr M’s payments on his credit commitments were up to date apart from one. He had no CCJs, defaults or payday loans within the preceding two years. It said it lent to people with poor credit ratings and so it was not unusual to see some negative information.

## **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 M’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 M. 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 M’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.

I have reviewed the examination carried out by Loans 2 Go and I can see how it reached the decision to lend. However, as our investigator has explained a review of Mr M's bank statement would have given a much clearer view of his finances.

He had 11 active accounts which included seven credit cards, two loans, one current account, and one communications account. His total non-mortgage debt was around £6,634. Loans 2 Go concluded his monthly income was £1,542 compared to the sum of £2,000 reported by Mr M and his outgoings were taken as £942. This showed he had £1,058 left from £2,000 or £600 from the lower income Loans 2 Go believed he had.

Our investigator reviewed Mr M's bank statements and noted he was paying £294 or so a month to meet the minimum payments needed to service his credit card accounts and £42 for other loans rather than the £150 Loans 2 Go had estimated. He also noted that at the time of the loan application Mr M had two arrears on one credit card and three consecutive arrears on another. The credit report also showed he was over his limit on two of his credit cards at the time and was using 90% or more of his credit limit on three other credit cards.

I believe this information shows Mr M was struggling financially and the loan was not affordable or in his best interests. I consider that had Loans 2 Go carried out a more extensive examination of Mr M's situation it is unlikely it would have approved the loan. I say that while taking into account the fact that it lends to those with a high level of credit risk.

### **Putting things right**

I consider Loans 2 Go should:

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

a) If this results in Mr M 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 should arrange an affordable and suitable payment plan with Mr M.

† HM Revenue & Customs requires Loans 2 Go to take off tax from this interest. Loans 2 Go must give Mr M 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 things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 19 November 2024.

Ivor Graham

**Ombudsman**