

The complaint

Miss S has complained that Loans 2 Go Limited (“L2G”) acted irresponsibly when it approved her for two personal loans in January and May 2023.

Background

Miss S applied for two separate loans with L2G in 2023. The first loan was for £1,000 and was repayable over 18 months. The second loan was for £800 and was also repayable over 18 months. Miss S has said that she should never have been approved for these loans, she had a history of bad debt, missed payments and defaults and was struggling with a compulsive spending problem which resulted in her gambling in a harmful way. She says if L2G had completed proportionate checks it would have realised she couldn’t afford the loans and wouldn’t have approved them.

L2G has said that it did complete proportionate checks and that having done so it believed the loans were affordable. So, it didn’t think it was wrong to provide them to Miss S. It accepts that she had some history of bad debt on her credit file but says as a subprime lender it was prepared to offer her access to credit as it believed she had taken steps to improve her financial situation and that the loans wouldn’t cause her further problems. It accepts that Miss S was gambling heavily at the time but says it wasn’t aware of that, and there was no evidence of it in the checks it completed. As it didn’t think it was wrong to provide Miss S with the loans it didn’t uphold her complaint.

Unhappy with L2G’s response Miss S brought her complaint to our service. One of our investigators looked into it already. He found that the checks L2G completed were likely sufficient for the first loan, but that L2G should have done more thorough checks to confirm Miss S’ income and circumstances for the second loan. So he partially upheld the complaint in relation to loan two.

Miss S accepted the investigator’s findings but L2G didn’t. In summary it said that it had completed sufficient checks and as part of its application process it had asked Miss S a standard question about whether or not she had a gambling, alcohol or drug addiction and she had said no. So it didn’t think it had done anything wrong and asked for an ombudsman to review the complaint again.

My findings

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 agree with the findings of our investigator and for much the same reasons. For the sake of clarity, I will address each loan in turn.

Loan 1 January 2023

Miss S applied for the first loan in early January 2023. It was for £1,000 over 18 months and the total amount to be repaid was £3,700.32. Miss S was expected to make the repayments

in weekly instalments of £47.44 over 18 months.

At the time of application Miss S' declared monthly income was £2,800 and L2G estimated her existing monthly debt repayments to be approximately £1,887.72. It noted she did have two historical defaults that were both five years old and there was a county court judgement on her file from two years previous. However, there was no recent evidence of arrears or missed payments and Miss S had taken out two new credit cards, both of which had low limits, the previous October and November and had been maintaining these well.

L2G did say that it crossed checked some of the information Miss S had provided, such as her monthly income and declared expenditure and found that these are likely incorrect and reduced her income accordingly. However despite that correction it didn't think there was anything to indicate she'd struggle to meet the weekly required repayments and approved the loan.

While I accept there was evidence of previous financial stress on Miss S' credit file, I agree this was historical and having reviewed the checks that were completed at the time I don't think there was anything in those checks that should have prompted L2G to ask for more than it did for the first application. So I think the information gathered at this time was sufficient and I don't think L2G was wrong to approve the first loan and so I'm not upholding Miss S' complaint on that point.

Loan 2 May 2023

Following the application for loan 1 Miss S then applied for a second loan with L2G in May 2023. This time the loan was for £800, also over 18 months and Miss S was obliged to repay a total of £2,366.11 in monthly instalments of £164.44.

L2G has confirmed it completed the same checks in May that it did in January and confirmed much the same information again. As there was no fundamental change in Miss S' circumstances and she had already repaid the previous loan early. L2G decided that the second loan was also likely to be affordable and approved it without asking for any additional information.

I think that L2G should have done more checks at this point to understand why Miss S was requesting a second loan, having just repaid the first one early, when there had been no apparent change in her circumstances. Also, it had noted that in her first application Miss S' income had been over estimated and so it would have been useful for it verify this as it had previously queried the amount declared by Miss S. So, I don't think the checks L2G did in regard to loan 2 were sufficient and I think it should have asked for more information.

There are a number of ways L2G could have verified Miss S' income including bank statements, pay slips or benefit payment receipts. However given Miss S was showing signs of relying on credit, by returning for a second loan so soon after applying for and repaying the previous one, I think requesting bank statements would have enabled L2G to confirm both her income, fixed expenditure and understand how she was managing her finances and whether that would impact her ability to repay the second loan.

And if it had done that it would have immediately seen that Miss S was gambling in a compulsive and harmful way. All of her income was essentially being used to fund her gambling habit at this time and the likely outcome of providing her with access to more credit was an increase in debt and financial harm. So I don't think it would have approved her loan and so I am upholding Miss S' complaint on this point.

L2G has said that part of the application requires consumers to confirm whether or not they

have a drug, alcohol, or gambling addiction. It said Miss S was asked this standard question and she replied 'no' and so it should be able to rely on that information. However, as I'm sure L2G is aware, the rules that govern credit providers do require them to test the information provided and not just rely on it blindly. And Miss S herself has said that she didn't identify as having a problem in 2023, it wasn't until 2024 she eventually accepted what was happening and was able to ask for help. So, I don't think Miss S answering 'no' to that question was an attempt to deliberately mislead L2G and I don't think it's reasonable to try to use how people answer that question as evidence they were being intentionally dishonest.

Therefore, having reviewed both applications in full I am upholding Miss S' complaint in relation to the second loan but not the first.

I've also considered whether L2G acted unfairly or unreasonably in some other way given what Miss S has complained about, including whether its relationship with her might have been viewed as unfair by a court under s.140A Consumer Credit act 1974.

However, because I'm upholding the 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 Miss S in the circumstances of her complaint.

Putting things right

In order to put things right Loans 2 Go Limited should:

- End the agreement with nothing further to pay.
- L2G to calculate how much Miss S has paid in total and refund anything over £800. If Miss S has paid more than £800, L2G should add 8% simple interest per year* from the date of payment to the date of settlement for any refunded amounts.
- Remove any adverse information recorded on Miss S' credit file regarding the agreement.

*HM Revenue & Customs requires Loans 2 Go Limited to take off tax from this interest. Loans 2 Go Limited must give Miss S a certificate showing how much tax it's taken off if she asks for one.

My final decision

For the reasons set out above I partially uphold Miss S' complaint against Loans 2 Go Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 15 November 2024.

Karen Hanlon
Ombudsman