

## The complaint

Mr W complained that Loans 2 Go Limited (“Loans 2 Go”) irresponsibly granted two personal loans in November 2022 and September 2023 that he couldn’t afford to repay.

## What happened

In November 2022, Mr W took out the first loan with Loans 2 Go. It was for £700, over 18 months, with a monthly payment of £143.89. The second loan, in September 2023, was for £623.69 over 18 months, with a monthly payment of £128.20. Part of this loan was used to repay the first loan, and the rest - £250 – was credited to Mr W’s bank account. The purpose of each loan was not stated, but the evidence I have shows that in each case this was additional borrowing rather than being used to repay other commitments.

Mr W said that he was in financial difficulty when he took out these loans. He said he applied in desperation and, in the case of the first loan, immediately regretted doing so. He further said that he called Loans 2 Go to cancel this, but was talked around by a member of its staff, who said that he could repay the loan early if he wanted to. Mr W doesn’t think that Loans 2 Go carried out the appropriate checks before granting the loans, and he would like a refund of all charges and interest paid to date, and any adverse information removed from his credit record.

Mr W complained to Loans 2 Go about all this, but Loans 2 Go said it did not uphold his complaint.

Mr W then brought his complaint to this service. Our investigator looked into it, and thought that Mr W’s complaint about the first loan should not be upheld, but that his complaint about the second loan *should* be upheld. Mr W didn’t agree, and asked that the complaint be reviewed by an ombudsman.

I issued my provisional decision in October 2024, in which I explained why I disagreed in part with our investigator, in that I concluded that Mr W’s complaint should be upheld in full. Mr W and Loans 2 Go have now responded to say that they accept my conclusions.

## 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website, and I’ve taken this into account here.

I’ve decided to uphold Mr W’s complaint. I’ll explain why.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn’t a set list of checks required of a lender, but it needs to ensure the checks are proportionate when considering matters such as the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and

the consumer's circumstances. So I've considered whether Loans 2 Go completed reasonable and proportionate checks to satisfy itself that Mr W would be able to make the repayments on the loan accounts in a sustainable way.

Mr W sent in copies of his credit record, and bank statements for the months leading up to each loan. Loans 2 Go sent in details of the checks it carried out, including the credit reference information that it used, records of its contact with Mr W, and copies of the loan agreements.

I set out my reasoning in my provisional decision as follows:

*"Loans 2 Go said that it would've verified Mr W's income and credit commitments using credit reference information, and essential living expenses would've been estimated based on Office for National Statistics data. Loans 2 Go separately said that the income and expenditure details in the application documents were those provided by Mr W. The details stated in its final response letter differ from the figures in the application information that it provided, but I don't have a breakdown of the amounts Loans 2 Go actually used in assessing affordability.*

*I've considered each loan in turn.*

#### Loan 1 – November 2022

*Mr W's monthly income was stated as £2,250. His monthly housing costs were £800, groceries and utilities were £150 each, transport was £72 and payments on other credit commitments were £350. This left a monthly disposable income of £728, from which to meet the payments on the new loan of £143.89.*

*I've looked at the information Loans 2 Go had available from Mr W's credit history. It shows his total borrowing as being £12,269. There were searches by debt collectors within the preceding two years, and seven accounts were listed as being opened within the preceding year. Mr W was shown as using 92% of his credit card limits, and, over the previous six months, as having exceeded those limits. I can also see that there were two County Court Judgments (CCJs) registered in 2018.*

*I've first considered whether Loans 2 Go's checks before granting the loan were reasonable and proportionate. I accept that a loan of £700 is relatively modest, but overall I don't think they were. I say this because Mr W had opened a number of accounts over the previous year, and had exceeded his credit card limits in recent months. There is also some evidence of missed payments on his borrowing. This suggests a possible over-reliance on credit, and I think this ought reasonably to have prompted further enquiries, such as a review of Mr W's bank statements, before granting the loan.*

*I have seen copies of Mr W's statements for the period leading up to the loan.*

*Mr W's monthly income after tax was around £2,065, although in one month he received £4,290. It seems likely that this was a bonus, but I don't know if this was a one-off, or a regular (perhaps annual) occurrence. If it was an annual bonus, Mr W's monthly income would average out at the amount stated, that is £2,250.*

*Looking at the outgoings, it seems to me that these are understated. I say this because the payments on Mr W's credit commitments were listed as £350 each month, which appear to be his hire-purchase and credit card payments, but I can see from his bank statements that there was an additional monthly payment of just under £320. From the name of the payee, this seems to be insurance-related. Utilities were listed as £150, which seems to be*

consistent with what's on Mr W's statements, but I can't see any provision for council tax, which was £134 each month. I don't have enough information to say whether Mr W's grocery and transport costs were any different to those stated, although they seem quite modest compared to other figures I've seen, but there's no provision for other living expenses such as clothing.

Taking the revised outgoings from Mr W's monthly income leaves a monthly amount of just over £250, from which to meet the new loan payment of £143.89 and to cover any other living expenses or any unexpected costs.

I also note from the bank statements that Mr W took out a payday loan of £300 on 1 September 2022, and although he didn't go overdrawn, the balance of his current account was generally very low just before he got paid. I can also see occasional unpaid transaction fees. This suggests to me that Mr W was showing signs of financial difficulty.

Taking all this into account, it seems to me that Mr W's outgoings were understated in Loans 2 Go's application information, and I'm not satisfied that all of his essential living expenses were included in the calculation. I can't say why they were understated as I haven't seen how the application would've appeared to Mr W or precisely what information he had to fill in. And as I noted above, I don't have a breakdown of the calculation Loans 2 Go actually used in assessing affordability.

Overall, I'm not satisfied that Loans 2 Go carried out reasonable and proportionate checks before granting this loan, and based on the evidence I've seen, I think that if Loans 2 Go had carried out more detailed checks on Mr W's income and outgoings, those checks would've shown that the monthly repayments on the new loan were unlikely to be sustainable. I say this because, taking account of the commitments detailed above, I'm not satisfied that Mr W was left with enough disposable income to manage those repayments sustainably. So I don't think Loans 2 Go acted fairly in granting this loan to Mr W and therefore I propose to uphold this element of Mr W's complaint.

Mr W had also raised concerns about the telephone conversation he had with Loans 2 Go, when he said he wanted to withdraw the application but was persuaded to continue. Loans 2 Go couldn't provide a call recording, and its notes of the call differ from Mr W's recollection. However, as I propose to uphold this element of the complaint for the reasons stated above, I do not need to comment further on this call.

#### Loan 2 – September 2023

Mr W's monthly income was stated on the application details as £2,700. His monthly housing costs were £800, utilities were £200, transport was £70 and payments on other credit commitments were £120. This left a monthly disposable income of £1,510, from which to meet the payments on the new loan of £128.20.

Again, I've looked at the information Loans 2 Go had available from Mr W's credit history. It shows his total borrowing as being £10,448. The searches by debt collectors still showed on the record, and one account – a loan - was listed as having been opened within the preceding year. Mr W was still fully utilising his credit card limits, and the two CCJs continued to appear. In addition, Mr W had defaulted on a credit card agreement in May 2023, and was in arrears on a communications agreement.

As before, I've considered whether Loans 2 Go's checks before granting the loan were reasonable and proportionate. Again, I don't think they were. I say this because Mr W had defaulted on an account a few months earlier, and was utilising all of his credit card limits. There is also further evidence of missed payments on his borrowing. As before, this

*suggests a possible over-reliance on credit, and I think this ought reasonably to have prompted further enquiries, such as a review of Mr W's bank statements, before granting the loan.*

*Again, I have seen copies of Mr W's statements for the period leading up to the loan.*

*Mr W's monthly income after tax was around £2,700 as stated, although I understand Loans 2 Go verified a lower figure via its credit reference information.*

*I don't have a breakdown of the figures Loans 2 Go used in its affordability calculation, and Mr W does not seem to have stated all of his outgoings in his application (for example there is no figure for groceries). So it has not been possible to reconcile the various figures on the bank statements, as I was broadly able to do with the first loan.*

*However, I can see that Mr W took out two payday loans – in June and September 2023 – and as before, the balance of his current account was generally very low just before he got paid. There are further unpaid transaction fees. Taken together with the recent default, and missed payments on his credit record, I again think that Mr W was showing signs of financial difficulty.*

*As with the first loan, I'm not satisfied that Loans 2 Go carried out reasonable and proportionate checks before granting this loan, and based on the evidence I've seen, I think that if Loans 2 Go had carried out more detailed checks on Mr W's income and outgoings, those checks would've shown that the monthly repayments on the new loan were unlikely to be sustainable. I say this because of the evidence of financial difficulty I outlined above. So I don't think Loans 2 Go acted fairly in granting this loan to Mr W and therefore I propose to uphold this element of Mr W's complaint also.*

*In summary, I'm not satisfied that Loans 2 Go acted fairly in granting either loan, so I propose to uphold Mr W's complaint about both loans.*

*I've also considered whether Loans 2 Go acted unfairly or unreasonably in some other way given what Mr W has complained about, including whether its relationship with Mr W might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.*

*However, I'm satisfied the redress I have directed below results in fair compensation for Mr W in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case."*

As both parties accepted my provisional decision, and no new evidence or information has been sent in, I have no reason to change my conclusions. Therefore I uphold Mr W's complaint about both loans.

### **Putting things right**

I think it's fair and reasonable for Mr W to repay the capital that he borrowed in November 2022 and September 2023 because he has had the benefit of that money. But he has paid interest and charges on loans that shouldn't have been provided to him. Loans 2 Go must put this right.

It should:

- Remove all interest, fees and charges applied to both loans from the outset. The payments Mr W has made should be deducted from the new starting balance – the total of the two capital amounts originally lent. If, once all adjustments have been

made, this shows that Mr W has made overpayments leading to a credit balance, these overpayments should be refunded to Mr W, together with interest at 8% simple a year\* from the date they were made to the date of settlement.

- if, once all adjustments have been made this shows that Mr W still has an outstanding amount to repay, Loans 2 Go should contact Mr W to arrange a suitable repayment plan.
- Loans 2 Go should remove any adverse information (if any) it has so far recorded on Mr W's credit file in relation to the two loans.

\*HM Revenue & Customs requires Loans 2 Go to deduct tax from any award of interest. It must give Mr W a certificate showing how much tax has been taken off if he asks for one.

### **My final decision**

For the reasons set out above, I have decided to uphold Mr W's complaint and to require Loans 2 Go Limited to compensate Mr W as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 6 November 2024.

Jan Ferrari  
**Ombudsman**