

The complaint

Miss K complains that Loans 2 Go Limited is charging a very high interest rate on her loan and wasn't supportive when she said she was struggling to make her repayments.

What happened

Miss K took out a £650 loan with Loans 2 Go in January 2024. She says that she didn't understand what APR meant or the interest rate applied. She says she is being asked to repay over £2,000 for a £650 loan and that this isn't affordable. Miss K has explained her medical conditions and the impact on her work and said that when she contacted Loans 2 Go for support it just provided her with a settlement amount which still meant she would have paid over £1,200 for a £650 loan. Miss K says that she is happy to repay the amount she has borrowed but doesn't think the interest applied is fair.

Loans 2 Go issued a final response letter dated 12 April 2024. It said that when Miss K applied for a loan she was requested to read through the information sheet, terms of the agreement, pre-contract information, repayments agreement and loan agreement. It said that Miss K was then asked to tick a box to confirm she had read and agreed to the terms and conditions of the agreement. It said the information provided to Miss K included the amount borrowed, total amount repayable, rate of interest and interest amount charged, monthly repayment amounts and Miss K's right to withdraw. Therefore, it said Miss K was provided with sufficient information about the loan and the repayments before she decided to proceed.

Loans 2 Go said that the interest had been applied to Miss K's loan correctly and the settlement amount was calculated in line with the regulations.

Miss K referred her complaint to this service.

Our investigator didn't uphold this complaint. He noted Miss K's comment about not understanding what an APR was but said that the loan agreement clearly set out the amount being borrowed, loan term, monthly repayments and total amount repayable. He didn't think that the information was unclear or misleading. He said that when Miss K contacted Loans 2 Go about her financial difficulties it asked her to complete an income and expenditure form to confirm the amount she could afford to repay. It also provided Miss K with a settlement figure when she requested this and, when she wasn't happy with this, agreed a 30% reduction. He thought that Loans 2 Go had provided the support it should have at this time.

Miss K didn't accept our investigator's view. She reiterated that she didn't understand the information about the APR and said she hadn't been treated fairly.

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.

I am sorry to hear of the stress and mental health issues Miss K has suffered and I thank her

for her honesty about her situation. I do not underestimate the additional upset that she has been caused by struggling financially while not being able to work. This complaint is about the interest rate on Miss K's loan, and while I understand she believes this is too high, for me to be able to uphold this complaint I would need to be satisfied that Loans 2 Go had done something wrong, or treated Miss K unfairly, when applying the interest rate.

The interest rate applied to finance is a commercial decision for Loans 2 Go. However, I can consider whether the information provided to Miss K before she agreed to the loan was sufficient for her to have a clear understanding of the cost of the loan. I have looked at the pre-contract information and this sets out the loan term, number of repayments and when these fell due and the total amount that needs to be repaid. Information is also provided about the APR. Miss K has said she didn't understand what the APR meant, and I appreciate that not all customers are familiar with financial terms. However, had she been unclear about this she could have asked further questions and as the pre-contract information provided a figure for the total amount to be repaid and how much Miss K would need to pay each month, I find that she was made aware of the cost of the loan.

I also note that the personal loan borrower information sheet provides a summary of the loan terms and the key financial information set out at the start of the loan agreement includes the amount of credit (£650) the total amount repayable (£2,404.98) and the interest / total charge for credit (£1,754.98). Based on the information provided to Miss K, I find she was given sufficient information to be able to make an informed decision about whether she wished to go ahead with the loan.

Miss K agreed to the loan terms and conditions, but had she had second thoughts after signing the agreement she could have exercised her right to withdraw within 14 days. Information about this was also included in the loan agreement and pre-contract information.

Miss K was struggling to make her repayments. When she contacted Loans 2 Go it asked her to complete an income and expenditure assessment. This showed she had negative disposable income. Given this, it offered a payment holiday. I find this was reasonable.

Miss K said she would settle the loan early and asked for a settlement quote. While I understand she thought this was high, Loans 2 Go has provided details about how this is calculated, and I have nothing to suggest this was incorrect. In response to Miss K's concerns, Loans 2 Go offered to reduce the settlement figure by 30%. Again, I find this shows that Loans 2 Go was trying to support Miss K at this time.

I know this will be disappointing for Miss K, and as I have already said, I am sorry to hear of the circumstances she is facing. But, as I find that Miss K was given the information she needed about the cost of the loan before she agreed to it and I have nothing to suggest the interest has been applied incorrectly, I do not find I can uphold this complaint. That said, given the information that Miss K has provided, I would expect Loans 2 Go to recognise her situation and treat her positively and sympathetically in regard to any outstanding balance on her account.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 25 November 2024.

Jane Archer

Ombudsman