DRN-5124161

The complaint

Miss P has complained about a loan Loans 2 Go Limited provided to her. She says the loan was unaffordable and therefore shouldn't have been given to her. She's also unhappy about the interest rate she's been charged.

What happened

In July 2023 Miss P applied online for a £1,000 fixed sum loan with Loans 2 Go. She agreed to repay this amount, with interest, over 78 weeks. The repayments were £47.44 a week, and so if Miss P made each payment on time she'd pay £3,700.32.

In May 2024, Miss P complained to Loans 2 Go to say the loan should never have been provided to her, and she also complained about the amount of interest charged. Loans 2 Go didn't think it had acted unfairly when lending to Miss P and it said the interest had been charged in line with the terms of the contract. However, due to Miss P's current financial circumstances it offered to reduce the interest on the loan agreement by 40%. It said that represented a proposed write-off of around £1,080, leaving Miss P around £1,386 to pay.

Miss P didn't accept that and referred the matter to our service. Our investigator didn't recommend the complaint be upheld. He thought Loans 2 Go had carried out reasonable and proportionate affordability checks, and Loans 2 Go made a fair decision to lend.

Miss P didn't agree, so the complaint has been passed to me to decide.

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.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case. What is proportionate will vary with each lending decision and considers things such as (but not limited to): the amount of credit, the size of the repayments, the cost of the credit, the purpose the credit was taken out for and the consumer's circumstances.

Miss P wasn't an existing customer of Loans 2 Go. She declared on the application she was employed and earned a monthly salary of £3,402. In relation to her outgoings Miss P said (all monthly) she spent £125 on utilities, £150 on groceries, £20 on transport and £200 on other credit commitments.

Loans 2 Go verified Miss P's income as £1,504 net using an automated income verification tool provided by one of the credit reference agencies, and carried out an affordability assessment using Miss P's declared outgoings, payments to creditors from her credit report and Office of National Statistics (ONS) data for her other outgoings. The calculations showed that after all the expenditure and the new loan repayment was taken into account, Miss P would have over £300 a month disposable income.

CONC allows businesses to use statistical data to estimate a customer's non-discretionary expenditure unless they have reasonable cause to suspect that the data might not be reasonably representative in the customer's specific situation. I haven't seen any reason that Loans 2 Go might have thought Miss P's non-discretionary expenditure might significantly differ from statistical data.

Miss P said she misunderstood the question about 'home costs', saying she thought that was asking about home repairs which she said were undertaken by her landlord which is why she answered it £0. She said she now knows it was asking how much her rental payment was and said that was £700 a month.

I acknowledge what Miss P has said about English not being her first language, however I would still question why she thought it would ask about home repairs (which is likely to be a relatively modest amount in relation to someone's rent / mortgage) and not what their rent / mortgage payment was. I've also reviewed the bank statements she provided to our service, and having done so there are no rental payments showing as having been made.

Miss P wrote in an email to Loans 2 Go in June 2024 that her circumstances had changed, as "last year" she was living with her partner in his property but had since had to leave urgently and find somewhere to live, which was unexpected and expensive. That fits with what her bank statements seem to show in the run up to this loan being taken out, in that she had no outgoings for rent or a mortgage, limited outgoings in terms of food and other living costs, she just made relatively small payments to a third party (which I assume was her partner), and the remainder of her money was spent on a mix of essential (eg basic food) and non-essential (eg socialising) spending as well as making payments to her existing credit commitments.

Loans 2 Go's checks showed that Miss P had no IVAs, bankruptcies or CCJs and she hadn't opened any new accounts in the 12 months prior to her application. Whilst she had some defaults, they were all over 12 months ago and in the 12 months running up to this loan being taken out Miss P had only had one missed payment on her credit commitments. Whilst she was showing at 93% credit utilisation, the credit limits were all modest (totalling £1,100 plus a £1,500 overdraft limit), so the overall amount of active debt (that is, not defaulted) was reasonable in terms of Miss P's income, even using the lower amount shown from Miss P's bank statements of £1,451 a month.

In my view, Loans 2 Go's calculations showed Miss P had sufficient disposable income to be able to afford a new loan with weekly repayments of £47.44, even if Miss P's income was £1,451 rather than £1,504. I haven't been persuaded that Loans 2 Go needed to carry out a more comprehensive approach to Miss P's application or that it should've requested additional evidence before deciding to lend. I'm sorry to disappoint Miss P but I haven't been persuaded that Loans 2 Go lent irresponsibly when it approved her loan application.

Miss P has also said the amount of interest charged is excessive. I understand her concerns and the point she has raised. But as information about the loan terms was provided to her before she agreed to the borrowing, I find that she was made aware of the cost of the loan and the amount she would need to repay and so I do not find I can uphold her complaint about the interest rate.

So overall I don’t think that Loans 2 Go treated Miss P unfairly or unreasonably when bringing about her agreement. In reaching my conclusions, I’ve also considered whether the lending relationship between Loans 2 Go and Miss P might have been unfair to Miss P under section 140A of the Consumer Credit Act 1974. However, for the reasons I’ve explained, I don’t think Loans 2 Go irresponsibly lent to Miss P or otherwise treated her unfairly in relation to this matter. And I haven’t seen anything to suggest that section 140A or anything else would, given the facts of this complaint, lead to a different outcome here. I’m therefore not upholding Miss P’s complaint.

I appreciate this is likely to be very disappointing for Miss P but I hope she’ll understand the reasons for my decision.

Finally, in its response to the complaint Loans 2 Go offered to reduce the amount outstanding by writing off some of the interest. I don’t know if that offer is still available, so I leave it to Miss P to discuss that directly with Loans 2 Go if she wants to do so. I would also add that in light of what it now knows about Miss P’s financial circumstances, I would ask Loans 2 Go to keep in mind its obligations under CONC 7 to treat its customers in default or in arrears difficulties with forbearance and due consideration when dealing with Miss P.

My final decision

I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss P to accept or reject my decision before 7 April 2025.

Julia Meadows
Ombudsman