

## **The complaint**

Mr S complains that Loans 2 Go Limited (L2G) has irresponsibly lent to him.

## **What happened**

Mr S was approved for a £500 loan with L2G in May 2024. He says this was irresponsibly lent to him. Mr S made a complaint to L2G.

L2G did not uphold Mr S' complaint. They said they completed checks with information Mr S provided to them, and information they received from a Credit Reference Agency (CRA). L2G said they use information from the Office of National Statistics (ONS) to determine reasonable expenditure, and when an applicant's declared figure is lower than the figures used by ONS, they would use the higher figure. They said their checks showed the loan repayments would be affordable for Mr S.

Mr S brought his complaint to our service. Our investigator upheld his complaint. She said that two of Mr S' active accounts were in arrangements to pay, and he had missed payments within six months prior to his L2G application being accepted, which should have prompted further checks by L2G. She said further checks would have shown that Mr S' income was lower than the income declared on his application, and he had multiple returned direct debits, so she did not think the lending decision was fair. L2G asked for an ombudsman to review the complaint.

## **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.

Before agreeing to approve the credit available to Mr S, L2G needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks L2G have done and whether I'm persuaded these checks were proportionate.

The checks showed that Mr S had declared a monthly income of £1,500. L2G had managed to verify Mr S' income through the CRA as £1,118.50 a month. They had also calculated his monthly expenditure to be around £865.62.

Other information from the CRA showed that Mr S was not subject to an Individual Voluntary Arrangement, and he wasn't bankrupt. There were no defaults showing on his credit file that were registered in the six months prior to his application.

There were total account balances of £3,219 being reported by the CRA that L2G used. But that's not all the data showed. The data showed some concerning information about Mr S' current and recent payment history with other accounts he held.

The data showed that Mr S had been in arrears on two of his accounts in the last six months. So this could be a sign that Mr S was in financial difficulty. But Mr S also had two accounts where he was in an arrangement to pay. So this would usually occur when a borrower is experiencing financial difficulties, and they can't afford to pay at least the contractual minimum amount, so an arrangement is made for the borrower to pay a lower amount for an agreed period of time.

The balances that the CRA were reporting on the arrangement to pay agreements were similar to the amount of the loan that Mr S had applied for. So while L2G had calculated Mr S had the affordability to make the loan repayments, it was clear on two of his credit agreements that Mr S did not have the affordability that L2G had calculated, otherwise there would be no reasonable explanation as to why he had recently entered into an arrangement to pay with those lenders.

So I'm persuaded that based on these two accounts that Mr S had entered into an arrangement to pay, that the checks L2G should have been more detailed to ensure the lending was affordable and sustainable for Mr S. There's no set way of how L2G should have made further proportionate checks. One of the things they could have done was to contact Mr S to get an understanding of why he entered into an arrangement to pay on two accounts. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Mr S has provided his transactions for the months leading up to the acceptance of the loan. The transactions show clear signs of financial difficulty. I say this as Mr S' has several returned direct debits, with a lot of them being for a lower amount than what his weekly contractual payment would be for the L2G loan, including one for £5 on 12 February 2024. Mr S also has returned direct debits for priority bills such as his utilities on 15 March 2024.

L2G would have been able to see that Mr S' income fluctuates, and that £500 credited his account from a third party short term lender on 18 April 2024. So based on the concerning information on Mr S' bank account, if L2G had made further checks, based on the current arrangements to pay that he had, I'm not persuaded that L2G would have approved the £500 loan, despite what they had calculated as his disposable income, as they would have realised Mr S was already financially struggling, and he had taken out a similar loan only weeks earlier. So I'm not persuaded that L2G made a fair lending decision in approving the loan for Mr S.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed at the end of this decision results in fair compensation for Mr S 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.

### **Putting things right**

Our investigator has suggested that L2G takes the actions detailed below, which I think is reasonable in the circumstances.

### **My final decision**

I uphold this complaint. Loans 2 Go Limited should take the following actions:

L2G should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly;

End the agreement and rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied;

If the rework results in a credit balance, this should be refunded to Mr S along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. L2G should also remove all adverse information regarding this account from Mr S' credit file;

Or, if after the rework there is still an outstanding balance, L2G should arrange an affordable repayment plan with Mr S for the remaining amount. Once Mr S has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

\*If L2G considers that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr S how much they've taken off. They should also give Mr S a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 31 December 2024.

Gregory Sloanes  
**Ombudsman**