

## **The complaint**

Mrs B complains about Loans 2 Go Limited's (L2G) decision to provide her with a personal loan, despite it being unaffordable. She's also unhappy with how L2G have treated her since she told them she was in financial difficulties and says their actions amount to bullying and harassment.

## **What happened**

In December 2023, Mrs B took out a personal loan with L2G. She borrowed £2,000, and the agreement required her to make 24 monthly repayments of £269.33.

Mrs B's first repayment was due in January 2024, but this was missed and aside from a payment of £50 in March 2023, she continued to fall further into arrears. After L2G issued a default notice to Mrs B in April 2024, she asked them for help. In May 2024, L2G sent Mrs B a final demand letter for the total amount to be paid.

In both May and June 2024, Mrs B complained to L2G about their decision to grant her lending and about the interest they'd applied to her account. She was also unhappy with the lack of help L2G were giving her, despite the circumstances she found herself in.

In May 2024, Mrs B also referred her complaint to the Financial Ombudsman Service.

In July 2024, L2G sent Mrs B their final response but they didn't uphold her complaint. In summary, L2G said they undertook a credit check and validated Mrs B's income and expenditure prior to providing the loan and those checks concluded their decision to lend was both responsible and affordable for her.

L2G also said the monthly repayments and term of the loan were sufficiently set out to Mrs B and that they'd showed considerable forbearance when made aware she was in financial hardship.

While not upholding Mrs B's complaint, as a gesture of goodwill L2G offered to reduce the total interest due on her agreement by 20% equating to a reduction of £892.78 to the total amount owed.

Mrs B remained dissatisfied with L2G's response and asked our service to investigate.

One of our Investigators looked into things and thought the checks L2G carried out prior to lending were proportionate. And because L2G's checks showed Mrs B had enough disposable income to afford the monthly repayments, she didn't think they'd done anything wrong by agreeing to lend to her.

Our Investigator also said she thought L2G had acted with forbearance and due consideration when Mrs B struggle to meet her repayments, so she didn't think they'd acted unfairly in both how they treated her or by offering her a reduction in the interest due as a gesture of goodwill.

Mrs B disagreed with our Investigator saying L2G were continuing to harass her and that

they never asked for wage slips or bank statements prior to agreeing to lend.

Because no resolution could be reached, this case 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.

Having done so, although I appreciate it'll be a disappointment to Mrs B, I'm not upholding her complaint and for much the same reasons as our Investigator. I'll explain why.

But first, I'm aware I've summarised this complaint in less detail in parts than has been provided, and I've done so using my own words. No discourtesy is intended by this. Instead, I've concentrated on what I think are the key issues here. Our rules allow me to do this.

This reflects the nature of our service as an informal alternative to the courts. If there's something I've not mentioned, especially in relation to Mrs B's personal circumstances, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every detail to be able to reach what I think is the right outcome reasonable in the circumstances of this complaint.

How we handle complaints about irresponsible and unaffordable lending is explained on our website. It's this approach I've used when deciding Mrs B's complaint. L2G needed to ensure that they didn't lend irresponsibly, which in practice means they needed to carry out proportionate checks to be able to understand whether any lending was affordable for her before agreeing to provide the loan.

The rules that apply to credit agreements are set out in the FCA's consumer credit sourcebook (CONC). Section 5.2A of CONC is relevant here, as – among other things – it talks about the need for businesses like L2G to complete reasonable and proportionate creditworthiness assessments before agreeing to lend someone money.

I've considered these rules by asking the following questions:

- Did L2G complete reasonable and proportionate checks to satisfy themselves Mrs B would be able to meet the repayments of the borrowing without experiencing significant adverse impact on her financial situation?
  - If they did, was their decision to lend to Mrs B fair?
  - If they didn't, would reasonable and proportionate checks have shown that Mrs B could sustainably repay the borrowing?
- Did L2G act unfairly or unreasonably in any other way?

### Did L2G complete reasonable and proportionate affordability checks?

What's considered reasonable and proportionate in terms of the checks a business undertakes will vary depending on the details of the borrowing and the consumer's specific circumstances at the time.

Here, the total amount repayable under the agreement was around £6,450, with Mrs B

committing to make 24 monthly repayments of £269.33. This was, therefore, a relatively lengthy credit commitment for someone to enter into repaying not an insignificant amount back each month, so my starting point is that I'd expect to see L2G to have completed a thorough affordability check.

At the time of her application, L2G say Mrs B declared her monthly income as £2,000 and her committed expenditure as being £1,100 a month. This figure consisted of £300 towards home costs, the same amount towards groceries, £200 a month for utility bills, £100 a month towards existing credit commitments and £200 towards other non-specified regular expenses. Using the information declared to them, L2G calculated this left Mrs B with a disposable income of around £900 a month.

In addition to the information Mrs B declared, L2G also completed a credit check to help them understand how she managed both her current and existing finances.

The report showed Mrs B held multiple active credit accounts at the time of the application which included a mortgage, two personal loans and several credit and store cards. L2G could also see Mrs B held two current accounts which both appeared to be well maintained.

In the main, L2G saw Mrs B was managing her existing credit well, however there were some exceptions. L2G would've also seen Mrs B was four payments in arrears on two communications accounts and had missed a payment towards a mail order account two months prior – although by the time of the application, this account had been brought up to date.

L2G also saw Mrs B's previous settled credit facilities which again while these showed L2G she'd managed her finances well across multiple accounts, there were also some signs she struggled financially in the past, such as payment arrears and defaults.

Both the previous arrears and defaults occurred more than 12 months prior to Mrs B's application with L2G, so I don't think they alone should have meant they didn't lend to her. However, I do think L2G having sight of these, alongside them having awareness of the current arrears she found herself in, they needed to do more to gain a better understanding of her finances – which I'm satisfied they did. I'll explain why.

L2G completed a current account turnover (CATO) check to verify Mrs B's income. The check verified she was receiving a minimum of around £1,850 a month, less than the figure declared by Mrs B. L2G used this lower amount when assessing her creditworthiness.

L2G also used information from both the office of national statistics (ONS) and Mrs B's credit report to help them get a better understanding of her expenditure. Where this information returned a higher figure, they used this in place of the figure declared by Mrs B, resulting in her monthly commitment towards home costs increasing to £393 and to £310 a month towards her existing credit commitments.

So, in summary, I wouldn't expect L2G to do more in the circumstance given the credit check result showed them her overall finances were managed reasonably well. The defaults shown on the report all occurred over 12 months prior to Mrs B's application, and while L2G did see she was in arrears on two accounts, they verified Mrs B's income and took into consideration her actual existing credit commitments and home costs, alongside using the information she'd declared, to gain a better understanding of her expenditure before making a lending decision.

Overall, I think L2G completed reasonable and proportionate checks and from all the evidence and information they gathered, I'm satisfied what they saw allowed them to fairly

assess if the agreement was affordable and sustainable for Mrs B.

But this doesn't automatically mean L2G went on to make a fair lending decision – it's this I'll go on to look at next.

#### Did L2G make a fair lending decision?

L2G used the lower, CATO check verified, figure of £1,850 per month when taking into consideration Mrs B's income.

In addition, when calculating Mrs B's expenditure, L2G used a combination of the information she'd declared alongside statistical data and the information they could see on her credit report – importantly taking the higher figure into consideration before calculating her remaining disposable income.

After doing this, L2G found Mrs B had monthly expenditure of around £1,403, which left her a disposable monthly income of around £447. After factoring in Mrs B's monthly commitment towards the new agreement, L2G calculated she would be left with around £178 disposable income per month at the time of the lending.

While L2G did see some signs of stress of her finances from their initial checks, in the form of her being in arrears on two communications accounts, they also saw that she was managing the rest of her finances relatively well. L2G then took additional steps to better understand her income and expenditure prior to agreeing to lend.

I understand from the information provided by Mrs B, her personal circumstances changed beyond her control after taking out the loan. But I must take into account what L2G would have known at the time they made their decision. And based on the evidence provided, I'm satisfied their checks were responsible and proportionate. I'm also satisfied they made a fair lending decision based on the outcome of those checks so I'm not upholding this complaint.

#### Did L2G act unfairly or unreasonably in some other way?

Mrs B fell into arrears on her agreement almost immediately following its inception, and she complains about how L2G have treated her since then.

I'm sincerely sorry to hear of the situation Mrs B finds herself in, it's clear from her testimony it's been a difficult time for her. However, having considered all the evidence provided and L2G's actions carefully, I don't think they've acted unfairly. I'll explain why.

As I've previously explained, I can only expect L2G to take into consideration what they knew at the time when making their decision to lend. But when made aware of Mrs B's financial difficulties repaying the loan, I'd expect them to treat her with forbearance and due consideration.

Mrs B's first repayment was due in January 2024. I can see after this payment was missed and after further payments were missed over the following months, L2G reached out to Mrs B on several occasions. The communications sent encouraged her to get in touch with them and made clear there were options available for them to explore with a view to assisting her.

After Mrs B made a small payment towards her loan in March 2024, I can see L2G further

attempted to contact Mrs B with a view to discussing the arrears on her account. Only after they didn't hear from her, they issued a default notice in April 2024. It wasn't until after the default notice Mrs B got in touch with L2G, telling them she'd like to get the agreement back up to date.

I'm satisfied L2G communicated as I would've expected them to have prior to Mrs B reaching out, so I don't think they've acted unfairly here.

At this point, L2G asked Mrs B to complete an income and expenditure however, then went on to tell Mrs B she didn't qualify for a top-up. L2G have acknowledged this was in error and while I think this was unfortunate, I'm pleased to see they apologised on the same day it was brought to their attention. They also set out potential options of how they could assist her situation at the same time.

Mrs B asked about the option of an arrears write-off to which L2G explained they required the completion of an income and expenditure, prior to knowing if that was an option available to her.

I can see L2G wrote to Mrs B again requesting for an income and expenditure to be completed in May 2024. L2G then issued a final demand letter later that month, however continued to communicate with her after this.

Mrs B completed an income and expenditure in May 2024 and requested the arrears on her agreement be written off. Having reviewed the information provided, L2G explained an arrears write off wasn't an option, but they could offer her a payment holiday or a forbearance hold, both of which would allow her a 30-day grace period prior to her need to agree repayment of the arrears.

I can see prior to L2G offering Mrs B these options, she told them she'd just returned to work fulltime, so I'm satisfied that by allowing her a short period of time prior to discussing further repayments options, they acted fairly here.

In June 2024, Mrs B offered to make a substantial payment towards the loan and asked for an additional 30 days to pay the remainder of the settlement balance owed. L2G explained the early settlement figure quoted was only valid until a certain date, but that a seven-day extension could be given if it meant she was able to pay. They also explained they were unable to offer an extension longer than that, however, should Mrs B not be able to repay the balance by then, another early settlement figure could then be requested.

I'm satisfied, given that Mrs B requested 30 days, L2G clearly explained the additional time they could allow but also set out the option for her to obtain a new early settlement figure should she need more time, so I don't think they've acted unfairly here.

In summary, I think L2G have acted fairly both prior to and after Mrs B made them aware she was struggling. I'm satisfied they've shown both forbearance and due consideration towards her circumstances.

Following Mrs B raising her complaint, L2G issued their final response, within it offering to reduce the total interest payable on her loan by 20% - as a gesture of goodwill. Following this offer, Mrs B told L2G her complaint had been referred to our service. As such, L2G told Mrs B the gesture of goodwill was no longer available. L2G have since confirmed to me the offer is no longer available to her.

While I can't direct L2G to honour this offer, it was a gesture of goodwill and I've not found them to be at fault, I would expect them to continue to show Mrs B forbearance and due

consideration when dealing with the arrears on her agreement, given the situation she finds herself in. L2G have confirmed this will be the case and said Mrs B should contact them directly to discuss how they can assist. here

### **My final decision**

Your text here

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 2 April 2025.

Sean Pyke-Milne  
**Ombudsman**