

## **The complaint**

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

## **What happened**

Mr M was approved for an L2G loan for £1,800 in May 2022. Mr M says this was lent irresponsibly to him, and he felt compelled to accept the loan at 320% Annual Percentage Rate (APR) due to urgent circumstances. Mr M made a complaint to L2G.

L2G did not uphold Mr M's complaint. They said they undertook credit checks and validated his income and expenditure information, and they concluded that the loan was affordable. L2G said that Mr M would have been required to read, agree, and sign the loan agreement which stated the interest charged. They said he was provided with a 14 day cooling off period. Mr M brought his complaint to our service.

Our investigator did not uphold Mr M's complaint. She said the checks L2G carried out were proportionate and she didn't think there was anything in the information L2G gathered that ought to have highlighted any concerns about him being able to sustainably afford the agreement. She said L2G didn't act inappropriately in providing the loan to Mr M. Our investigator said the credit agreement which Mr M signed included details such as the total amount of credit, the term of the loan, how much he would be paying each month, and the interest rate.

Mr M asked for an ombudsman to review his complaint. He made a number of points. In summary, he said the interest rate he was charged was excessive, and unreasonable, the structure of the loan meant he had to borrow money elsewhere, it was irresponsible to lend him the money, and at 320% APR, especially when he was vulnerable, and he didn't think the contract was a fair lending agreement.

Mr M asked for an ombudsman to compel L2G to disclose how they determined his risk profile, and how this justified the 320% APR interest rate. He wanted this to be compared to their average interest rates for loans approved by other borrowers with a similar profile to him.

## **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.

Firstly, I'm aware that I've only summarised Mr M's complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I must make Mr M aware of the scope of my remit. While he's asked me to compel L2G to disclose how they determined his risk profile, and how this justified the 320% APR interest

rate, and Mr M wanted this to be compared to their average interest rates for loans approved by other borrowers with a similar profile to him, this is not within the scope of my remit. Instead, I'll be focusing on the crux of Mr M's complaint about whether L2G made a fair lending decision when they approved his application.

I'd like to explain to Mr M that it is not within this service's remit to tell a business how they should run their policies and procedures, such as what interest rate they should charge, and whether to disclose commercially sensitive information to Mr M, such as L2G's risk profiling, and how this relates to the interest rate charged. It would be the role of the regulator – the Financial Conduct Authority, who have the power to instruct L2G to make changes to their policies and procedures, if necessary.

Before agreeing to approve the credit available to Mr M, 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 M had declared a monthly income of £2,946. L2G had managed to verify Mr M's income through the Credit Reference Agency (CRA) they used as a minimum of £1,409.09 a month. They had also calculated his monthly expenditure to be around £871.99 prior to his new L2G loan repayments of £242.40 a month.

This expenditure is higher than what Mr M declared. The application showed Mr M told L2G he had a total of £200 a month expenditure – including his credit commitments. But L2G used figures from the Office of National Statistics (ONS) to estimate some of Mr M's expenditure, which is an industry standard way of calculating expenditure. So L2G did not just accept Mr M's word for his income and expenditure, and they increased his expenditure.

Other information from the CRA showed that Mr M was not subject to an Individual Voluntary Arrangement (IVA), 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, and there were no County Court Judgements (CCJ's) showing either.

The checks from the CRA showed that Mr M had unsecured debt of £5,924 which would have been just under 17% of the gross annual income of £35,352 which Mr M told L2G he earned (£2,946 x 12).

The checks from the CRA also showed that Mr M was up to date with his payments. So I'm not persuaded that there were any obvious signs from the checks that L2G completed that Mr M wouldn't be able to affordably sustain the repayments of the loan. So based on the information provided by Mr M to L2G, and the information L2G received from the CRA, I'm persuaded that the checks L2G carried out were proportionate, and they made a fair lending decision to approve the loan for Mr M.

Mr M would have been aware of the interest rate of the loan, and how the payments were structured. So I'm satisfied that L2G treated Mr M fairly here, and they followed their obligations to make Mr M aware of the interest rate he would be charged. I'm not persuaded that based on the checks L2G completed, that they would have been able to foresee any financial difficulty with Mr M sustainably repaying the loan.

Even after Mr M was approved for the loan, L2G's system notes showed that Mr M spoke with L2G just weeks after they approved the loan and he *"asked if he can pay larger*

*amount(s) from time to time*", which would suggest that at the time the loan was approved, not only was this affordable for Mr M, but he may also have had further disposable income in order to make overpayments from time to time.

When Mr M first missed his payment date, L2G notified him, and Mr M spoke with L2G and he explained he thought the payment date was two days later, and he asked them to amend the repayment date. There were no other notes showing that Mr M spoke to L2G prior to him settling the loan early. So I'm not persuaded they would have been aware of any vulnerabilities Mr M may have had, and I'm not persuaded that their checks prior to the loan being approved showed any obvious signs of Mr M being vulnerable.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that L2G lent irresponsibly to Mr M or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here. So it follows I don't require L2G to do anything further.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 January 2025.

Gregory Sloanes  
**Ombudsman**