

## **The complaint**

Mr E complains that Loans 2 Go Limited lent irresponsibly when it approved a loan application he made.

## **What happened**

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

*Mr E applied for a loan of £1,000 with Loans 2 Go in March 2024. In his application, Mr E said he was employed with an income of £2,580 a month. Loans 2 Go says Mr E also gave details of his regular outgoings each month that included rent of £500, groceries of £200, utilities of £100, transport of £100 and credit commitments of £33. Loans 2 Go carried out a credit search and says it found Mr E had a new credit card opened in January 2024 with a limit of £200 and had a balance of £192. Loans 2 Go also found another credit card that had a limit of £450 and balance of £427. Various closed credit commitments were found on Mr E's credit file, all of which closed with arrears or at default. The most recent default Loans 2 Go found was from April 2023 with a balance of £2,024.*

*Loans 2 Go says it used the credit reference agencies to verify Mr E's income. But the income figure Loans 2 Go verified was £1,572, not £2,580 as Mr E noted in the application. Loans 2 Go also says it calculated Mr E's outgoings came to £1,108 a month which meant he had around £464 available as disposable income. Loans 2 Go approved Mr E's loan application with a total amount repayable of £3,700.08 with monthly repayments of £205.56 over 18 months.*

*In May 2024 Mr E contacted Loans 2 Go and asked it to provide early settlement figures. But when the settlement figures provided were higher than the original loan amount, despite Mr E making several payments towards the balance, he went on to raise a complaint. Mr E complained that Loans 2 Go lent irresponsibly and also raised concerns over the interest rate it used.*

*Loans 2 Go issued its final response on 11 June 2024 but didn't agree it had lent irresponsibly when approving Mr E's application and didn't uphold his complaint.*

*Mr E referred his complaint to this service and it was passed to an investigator. They thought Loans 2 Go had carried out reasonable and proportionate lending checks when looking at Mr E's application and thought the loan was affordable based on the information it found. Mr E asked to appeal and pointed out his bank statements for the months before his application showed he was borrowing extensively from various sources and was gambling. As Mr E asked to appeal, his complaint has been passed to me to make a decision.*

## **What I've provisionally 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 lend, the rules say Loans 2 Go had to complete reasonable and proportionate checks to ensure Mr E could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:*

- The amount of credit;*
- The total sum repayable and the size of regular repayments;*
- The duration of the agreement;*
- The costs of the credit; and*
- The consumer's individual circumstances.*

*That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.*

*I haven't been persuaded that Loans 2 Go carried out reasonable and proportionate checks when looking at Mr E's application. In my view, there were clear signs Mr E may've been struggling when he made his application to Loans 2 Go. I note that Mr E gave an income figure of £2,580 but when Loans 2 Go attempted to verify that amount it found he was earning substantially less at £1,572. That's around £1,000 less than the figure declared. I also note that after making deductions for Mr E's outgoings, including his existing credit, Loans 2 Go found he had around £464 a month available. After deducting its new loan payment of £205.56, Mr E would've been left with around £259 as disposable income each month which is reasonably low.*

*Further, Mr E's credit file shows he'd opened a new credit card with a different provider around two months earlier and already borrowed £192 against a credit limit of £200. And, Mr E's other open credit card's status is unclear on the credit file obtained. The credit file shows second credit card remained open with a balance of £427 against a credit limit of £450. But there was a significant history of arrears on this account with the previous seven months being noted as "unclassified". I also note that all of Mr E's closed accounts had either arrears or defaults recorded against them.*

*Taking all of the above into account, I think Loans 2 Go ought to have taken a more comprehensive approach to Mr E's application so it could be very confident repayments were sustainable. There were various options available to Loans 2 Go, one of which would've been to review Mr E's bank statements which is what I've done.*

*Mr E's bank statements for the three months before his application was approved show he was earning around £2,150 a month, which is actually higher than the figure Loans 2 Go used. But Mr E's bank statements show his outgoings were significantly higher than the figures Loans 2 Go used as well. There are two key points that I think would've caused Loans 2 Go some concern. The first is the number and amount of cash withdrawals and transfers in and out of Mr E's account. Mr E's told us that he had a gambling addiction at the time of his application and the cash withdrawals and transfers are very much in line with what I'd expect to see and the sums involved were substantial. In addition, I can see payments to well known book makers throughout the three month period I looked at. So I'm satisfied Loans 2 Go would've seen an unusual number of transactions that I'd have expected it to query further with Mr E if it had looked at his bank statements.*

*Mr E's bank statements also show he was borrowing from various lenders during this time that don't appear to have been noted by Loans 2 Go. I can see a reasonable number of*

*credits from businesses that provide payday loans, payments to a new credit card and payments to other creditors that weren't found when Loans 2 Go carried out its credit search. I also note, Mr E's current account was predominantly overdrawn, only returning to a credit position for short periods of time. In my view, Mr E's bank statements show he was already borrowing at an unsustainable rate when his application to Loans 2 Go was made. I didn't see capacity for further repayments of £205.56 when looking at Mr E's bank statements.*

*For the reasons noted above, I think Loans 2 Go should've carried out a more detailed review of Mr E's circumstances before approving his loan application. And I'm satisfied that if Loans 2 Go had carried out more comprehensive checks, like reviewing Mr E's bank statements, it would most likely have declined his application. In my view, Loans 2 Go lent irresponsibly when it approved Mr E's loan application in March 2024. As a result, I intend to uphold Mr E's complaint and direct Loans 2 Go to refund all interest, fees and charges applied to his loan and agree an affordable repayment plan for any balance remaining.*

*I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr E 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.*

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision. Mr E responded to confirm he accepted the provisional decision.

Loans 2 Go didn't accept and provided additional information setting out its underwriting approach and systems in place to ensure it lent responsibly. Loans 2 Go said it had verified the minimum income Mr E needed to support his existing commitments and new loan payments at £1,572.41. Loans 2 Go also advised that Mr E had failed to raise any points about gambling when raising his complaint with it. Loans 2 Go said it would only look at a customer's bank statements if the initial checks it completed gave reasonable cause for concern. Loans 2 Go confirmed it remained of the view that the checks completed at the time were sufficient and proportionate. Loans 2 Go added its application specifically asked Mr E to confirm whether he was dealing with a gambling addiction but he hadn't provided that information. Loans 2 Go quoted another ombudsman's decision that advised evidence of gambling isn't visible on a credit file. Loans 2 Go confirmed it remained of the view it lent responsibly to Mr E and asked me to reconsider the conclusions I reached in my provisional decision.

### **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'd like to thank Loans 2 Go for the level of detail provided in its response. But I haven't been persuaded to change the conclusions I reached in my provisional decision. I'll explain why.

I made a number of points setting out why I didn't feel the lending checks completed went far enough. One of the points I made was that Loans 2 Go verified Mr E's income as £1,572.41 which was around £1,000 less than the figure he gave in the application. But Loans 2 Go has provided further comment that explains that figure was the minimum required by Mr E on a monthly basis to support his existing commitments and sustainably make his new loan payments. I appreciate that's different to the points I made in my provisional decision.

Whilst I take Loans 2 Go's point and accept it's clarified the income checks, I still think there

was a reasonable amount of information that ought to have caused Loans 2 Go to consider carrying out better checks. I understand Loans 2 Go will accept applications from borrowers with some adverse credit. But I think the information Loans 2 Go obtained about Mr E showed he was already struggling to manage his recent and existing credit.

As noted in my provisional decision, within two months of his application to Loans 2 Go, Mr E obtained a credit card and quickly borrowed to the credit limit. Mr E's other open credit card had a history of missed payments with the most recent reported as "unclassified". Given this was an active credit commitment with an outstanding balance, an unclear status and a history of arrears, I think this should've caused Loans 2 Go to ask some questions. And as I noted in the provisional decision, all of Mr E's closed credit commitments have a history of multiple arrears or default. I remain of the view that the information Loans 2 Go found on Mr E's credit file should've caused it to consider carrying out better checks before agreeing to lend.

I reviewed Mr E's bank statements before issuing my provisional decision, an option that was available to Loans 2 Go before approving his application. In my view, checks of that nature would've been proportionate to the loan Mr E was applying for. I've relooked at the statements and remain of the view they show Mr E was already struggling financially. The large number of cash or gambling transactions would've been clear to Loans 2 Go. And the number of payday loans its credit check didn't pick up would've been seen as well. Loans 2 Go would've also seen Mr E was predominantly overdrawn and that further borrowing was unlikely to be sustainable in the long term without causing him financial harm.

In response to the provisional decision, Loans 2 Go made the point that Mr E had maintained his loan payments. But Mr E has supplied a more recent copy of his credit file that shows he's continued to borrow from payday lenders in the months after his application was approved by Loans 2 Go, as he did in the preceding months. And I note that Mr E quickly asked Loans 2 Go about options for settling the loan early shortly after it was approved. These are reasonably clear signs Mr E was struggling.

I take Loans 2 Go's point that gambling transactions wouldn't show on Mr E's credit file. And I understand that Loans 2 Go asked Mr E whether he had a gambling problem as part of the application process. But I think it's fair to say that individuals dealing with addiction may make choices that are not necessarily in their best interest. Loans 2 Go also quoted another decision that said gambling would've have been visible following a credit check. But we look at complaints individually. And here, my view is that the lending checks weren't proportionate and that other options like reviewing Mr E's bank statements would've been reasonable. I remain of the view that if Loans 2 Go had carried out reasonable checks, like reviewing Mr E's bank statements, it would've quickly found the evidence of extensive gambling and borrowing that wasn't picked up by its credit check.

For the reasons given in my provisional decision and above, I remain of the view Mr E's complaint should be upheld.

### **My final decision**

My decision is that I uphold Mr E's complaint and direct Loans 2 Go Limited to settle as follows:

- Remove all interest, fees and charges from the loan and treat all the payments Mr E made as payments towards the capital.
- If reworking the loan account results in Mr E having effectively made payments above the original capital borrowed, then Loans 2 Go should refund these

overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date of settlement\*.

- If reworking the loan account results in there being an outstanding capital balance Loans 2 Go should try to agree an affordable repayment plan with Mr E.
- Once the balance has been repaid, Loans 2 Go should remove any adverse information recorded on Mr E's credit file in relation to the loan.

\*HM Revenue & Customs requires Loans 2 Go to deduct tax from this interest. Loans 2 Go should give Mr E a certificate showing how much tax it's deducted, if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 3 January 2024.

Marco Manente  
**Ombudsman**