

The complaint

Miss P complains that Loans 2 Go Limited (L2G) irresponsibly lent to her.

Miss P is represented by a claims management company in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Miss P herself.

What happened

Miss P was approved for a L2G loan in September 2018 for £500. She says this was lent irresponsibly to her. Miss P made a complaint to L2G.

L2G did not uphold Miss P's complaint. They said Miss P had declared her income to be £1,650 a month, and they had managed to verify that Miss P had at least £1,228.37 a month income. They said that they had calculated Miss P's outgoings to be around £900 a month, so she would be able to afford the £113.28 repayment. Miss P brought her complaint to our service.

Our investigator did not uphold Miss P's complaint. She said L2G did not carry out proportionate checks, but proportionate checks, based on Miss P's bank statements would have shown the loan repayment would appear affordable to her. Miss P asked for an ombudsman to review her complaint.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

"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 Miss P, L2G needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. 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 Miss P had declared a monthly income of £1,650. L2G had managed to verify Miss P's income through a Credit Reference Agency (CRA) as £1,228.37 a month. They had also calculated her monthly expenditure to be around £900.

Other information from the CRA showed that Miss P was not subject to an Individual Voluntary Arrangement, and she wasn't bankrupt. But there were two active County Court Judgements (CCJ's) being reported by the CRA. And she had previously defaulted on at least one credit agreement.

It may help to explain here that, while information like a CCJ or default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other information the checks showed, to see if a fair lending decision was made here.

There were total active account balances of £1,996 being reported by the CRA that L2G used. But that's not all the data showed. The data showed some information that I'm persuaded should have made L2G to complete further checks to ensure the lending was affordable and sustainable for Miss P.

The data showed that Miss P had opened six new accounts in the last year. So this could be a sign that Miss P was reliant on credit. L2G's checks showed that Miss P had opened another loan on 11 August 2018 for £275, and a mail order account on 18 August 2018. So she had opened two accounts less than one month prior to the L2G loan being approved. The checks also showed a search of her credit file from a debt collection agency, which could indicate she was having financial difficulties.

So I'm persuaded that L2G should have made further checks based on this information to ensure any new lending would be affordable and sustainable for her. 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 Miss P to get an understanding of why she took out more than one credit agreement in the last month and to ensure she was up to date on her active accounts, and not subject to any debt collection which mightn't show on her credit report yet. Or they could have asked for Miss P's bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Miss P has provided her bank statements for the months leading up to the acceptance of the loan. The transactions show clear signs of financial difficulty. I say this as while Miss P's salary is consistent with what she declared on her application, there appears to be more payments going to different lenders than what the CRA reported to L2G. This can happen when different CRA's report different information.

Miss P's bank statements also show that she took out two payday loans in June 2018, and the loan showing on L2G's checks in the month prior was for a payday loan. So Miss P was having to borrow frequently to meet her outgoings. Miss P's bank statements also show that she didn't have enough money in her account to pay a £13.70 direct debit on 22 August 2018, which was shortly before the L2G loan was approved.

So based on the concerning information on Miss P's bank statements if L2G had made further checks, based on the information from the CRA, I'm not persuaded that L2G would have approved the £500 loan, despite what they had calculated as her disposable income, as they would have realised Miss P was already financially struggling, and she had taken out a payday loan only weeks earlier for nearly half the amount of the L2G loan. The statements would also show higher commitments to her credit agreements than what was calculated. So I'm not persuaded that L2G made a fair lending decision in approving the loan for Miss P.

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 Miss P in the circumstances of her 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 let me have any further submissions before I reached a final decision. L2G accepted the provisional decision. Miss P did not respond to the 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.

As neither party have provided me with any further information to consider, then my decision and reasoning remains the same as in my provisional decision.

Putting things right

In the provisional decision I said I intend to uphold this complaint. I said I intend to ask Loans 2 Go Limited to take the following actions:

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 Miss P 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 her credit file;

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

I'm still satisfied this is a fair outcome for the reasons given previously.

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

My final decision

I uphold this complaint. Loans 2 Go Limited should settle the complaint in line with the instructions in the *"Putting things right"* section above.

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

Gregory Sloanes
Ombudsman