

The complaint

Ms D complains that Loans 2 Go Limited (L2G) acted irresponsibly when they agreed to lend to her.

In bringing her complaint Ms D is represented by a third party. For ease of reading, I will only refer to Ms D in my decision.

What happened

In September 2021 Ms D entered into a Fixed Sum loan agreement with L2G for £750. This was to be repaid over 18 months at £154.17 a month. The total amount repayable being £2,472.55. Ms D declared her monthly income as being £2,270 and her monthly outgoings as being £1,035. She said she didn't have any dependents. Ms D said she was struggling financially at the time the lending was agreed and that if L2G had checked properly they would have seen this. She said she has struggled to sustain her repayments and complained to L2G.

L2G said they'd carried out several checks before agreeing to lend to Ms D. They'd considered her application data, checked her credit history and used statistical data to determine her outgoings. And based on these checks they considered the lending was affordable for Ms D as she'd sufficient disposable income to sustain the repayments.

Ms D wasn't happy with L2G's response and referred her complaint to us.

Our investigator said L2G's checks were proportionate and reasonable, and that L2G had made a fair lending decision. He also said the duration of the agreement, interest rate, total amount payable and monthly instalment amount were clearly noted on the online application. And that Ms D had agreed to have read and accepted the terms and conditions of the loan during the application process. So, Ms D had properly understood her obligations.

Ms D didn't agree she said there was clear evidence that she was struggling financially. She'd an outstanding default of £10,000 and she'd missed other payments. She asked for an ombudsman 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 I'm not upholding this complaint. I know this will disappoint Ms D so I'll explain my reasoning.

The rules and regulations when L2G lent to Ms D required them to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check.

The checks also had to be borrower focused. So L2G had to think about whether repaying

the credit sustainably would cause any difficulties or adverse consequences for Ms D. In other words, it wasn't enough for L2G to simply think about the likelihood of them getting their money back, they had to consider the impact of the loan repayments on Ms D.

There's no set list for what reasonable and proportionate checks are. But I'd expect lenders to consider the specific circumstances of the loan application. What constitutes a proportionate affordability check will generally depend on several factors such as the specific circumstances of the borrower, their financial history, current situation and whether there are any indications of vulnerability or financial difficulty.

I can see L2G asked for some information from Ms D before they approved the loan. They considered Ms D's application data, used credit reference agencies (CRA) to understand her existing monthly credit commitments and used statistical data to determine Ms D's expenditure.

From L2G's records Ms D declared her monthly income to be higher than that L2G assessed it to be through their CRA checks. And Ms D's declared outgoings were lower than the statistical data would deem them to be for someone in her circumstances, single with no dependents. This could be a sign that Ms D was presenting her financial situation in a more favourable way to ensure the loan was approved.

The relevant guidance says a lender should take reasonable steps to determine a customer's income and non-discretionary expenditure. And I think L2G did this. Given the size and term of the loan and the cost of the monthly repayments relative to Ms D's declared income I think the checks were proportionate. So, I've considered what these checks showed to L2G.

Ms D declared her monthly income to be £2,270, and her outgoings to be £1,035 meaning she'd disposable income of £1,235 each month. But L2G didn't simply accept Ms D's declared financial situation they assessed through a CRA check that she'd a monthly income of around £1,832. The credit report seen by L2G showed Ms D was managing her active accounts well as she was up to date with her payments. It does show Ms D had recent credit for a loan of £3,700 and a credit card with a credit limit of £753 of which she'd used £612. Ms D also had a mail order account with a credit limit of £4,000 of which she'd used £2,722.

It also showed she'd two other credit cards with zero balances with credit limits of £500 and £1,700 respectively. On these credit cards there had been one missed payment several months prior and the other four months in arrears over 12 months before. But both accounts were now showing as up to date with repayments. The report also showed Ms D had settled two previous credit card accounts in March 2021 that had credit limits of £3,656 and £1,000. And that she'd a default on an account but this had happened two years prior to her loan with L2G.

Based on this L2G assessed Ms D's credit commitments and using statistical data - which they're allowed to do - her non-discretionary expenditure to be around £1,451. After factoring in the new lending of around £154, Ms D would have had around £227 in disposable income which would be considered sufficient to sustain her repayments, and to have funds for discretionary spending. While Ms D had shown signs of financial vulnerability previously these appeared to be historic as all her active accounts as seen on the credit report were being managed well at the time of the lending. So based on this I don't think L2G acted unfairly in agreeing to lend to her.

Ms D has provided her bank statements for the months prior to the lending being agreed. As outlined above there's no set list of the checks to be done and so it's not a requirement for L2G to have asked for Ms D to provide her bank statements to determine their lending

decision. Ms D has also provided details of her other borrowing some of which were taken out after the loan she took out with L2G. And others which were not present on the credit report seen by L2G at the time of the lending, I can't hold L2G to account for something they didn't see or weren't told about prior to agreeing the loan application.

I understand my decision will disappoint Ms D but I think the checks L2G did were proportionate and reasonable given the amount borrowed, and based on the evidence they gathered their lending decision was fair.

L2G has provided the loan contract which clearly shows the level of borrowing, duration of the loan, interest rates and right of withdrawal. It also outlines the expectations of Ms D in maintaining her repayments, and the consequences of missing payments. In signing the contract Ms D agreed to have read the terms and to being legally binded by its terms.

I've also considered whether L2G acted unfairly or unreasonably in some other way given what Ms D has complained about, including whether their relationship with her might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given, I don't think L2G lent irresponsibly to Ms D or otherwise treated her unfairly. I haven't seen anything to suggest that s140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 25 March 2025.

Anne Scarr
Ombudsman