

The complaint

Mr M has complained about two loans he took out with Loans 2 Go Limited. He says the loans were unaffordable and therefore shouldn't have been given to him.

What happened

In April 2021 Mr M applied online for a £250 loan with Loans 2 Go. The loan was set to have 18 monthly repayments of £51.39.

On 10 May 2021 Mr M received a message from Loans 2 Go saying he'd missed his first payment. He made the payment over the phone the same day. He then repaid the loan on 7 June 2021 before the next monthly payment was due.

In September 2021 Mr M applied online for a £1,400 loan with Loans 2 Go. It instead agreed a loan of £960. The loan was set to have 18 monthly repayments of £197.33.

Mr M repaid the loan on 28 July 2022.

In December 2023, Mr M complained to Loans 2 Go to say the loans should never have been provided to him. Loans 2 Go didn't think it had acted unfairly when lending to Mr M.

Our Investigator thought Loans 2 Go had carried out reasonable and proportionate affordability checks but she said, having carried out those checks, Loans 2 Go shouldn't have lent to Mr M due to his financial circumstances.

Loans 2 Go didn't agree, so the complaint 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.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case. What is proportionate will vary with each lending decision and considers things such as (but not limited to): the amount of credit, the size of the repayments, the cost of the credit, the purpose the credit was taken out for and the consumer's circumstances.

When dealing with Mr M's applications, Loans 2 Go asked Mr M about his income and expenditure. It has also obtained a copy of his credit file information to show his credit commitments and credit history.

The April 2021 loan

The credit file information showed Mr M had:

- A hire purchase agreement with a balance of £17,759 and monthly payments of £328, which had been taken out in March 2021.
- A loan with a balance of £317 and monthly payments of £29, which had been taken out in March 2021.
- A loan with a balance of £4,331 and monthly payments of £131, which had been one month in arrears for two consecutive months nine months ago.
- A loan with a balance of £1,190 and monthly payments of £68.
- A loan with a balance of £3,253 and monthly payments of £197, which had been one month in arrears continuously for the last 10 months.
- A loan with a balance of £10,053 and monthly payments of £439, which had been in an arrangement to pay arrears for three consecutive months six months ago.
- A loan with a communications supplier with a balance of £796 and monthly payments of £40, which had been taken out in November 2020.
- A loan with a communications supplier with a balance of £660 and monthly payments of £20, which had been taken out in December 2020.
- A credit card with a balance of £246 against a credit limit of £250, which had been one month in arrears eight months ago, and two months in arrears eleven months ago.
- A current account overdrawn by £1,997 with a £2,000 overdraft limit.
- A current account overdrawn by £749 with a £750 overdraft limit.
- A mortgage with £486 a month payments.

It also showed a default had been registered in January 2021 on a communications supplier account, and that Mr M had no CCJs.

I've paid particular attention to the income and expenditure assessment that Loans 2 Go completed and I am not persuaded it includes realistic figures. For example, Mr M's monthly credit commitments were listed as £800 but it can be seen from above that these were £1,252 just for the hire purchase and loans (and on top of that payments would be needed to the credit card, and to try to repay the overdrafts). Home costs were listed as £480, but the credit file showed the mortgage was £486 and utilities were listed as £150 but that would need to include gas/electric, council tax (including water and waste charges), any media costs (TV, broadband, landline and mobile phone) and insurance as there is no other category those were listed in. There's also no allowance for other regular expenses, such as any essential spending on clothes and other items that wouldn't be included in the groceries category.

Mr M was using £2,746 of his total £2,750 overdraft limit, and he had a credit card balance of £246 against a credit limit of £250. In the four months before taking this loan out Mr M had taken out two communications loans totalling £1,675 (11 November and 16 December 2020), a hire purchase agreement (3 March 2021), and a loan of £345 (20 March 2021). Mr M had a history of taking out payday loans, and there were also various missed payments showing across his active credit commitments in the last 12 months.

Having reviewed the information Loans 2 Go used when considering Mr M's loan application I haven't been persuaded it lent responsibly. The information seems to show a person that isn't managing their finances well, and that is over reliant on credit. All Mr M's revolving credit agreements were at their maximum and his total indebtedness was over £40,000. Having considered everything very carefully I haven't been persuaded that the decision to proceed with the loan was in Mr M's best interests overall and I don't think the lending was affordable or sustainable.

The September 2021 loan

The credit file information showed Mr M had:

- A hire purchase agreement with a balance of £16,116 and monthly payments of £328.
- A loan with a balance of £202 and monthly payments of £29.
- A loan with a balance of £3,674 and monthly payments of £131. There had been no further missed payments since those set out in the details for the first loan.
- A loan with a balance of £944 and monthly payments of £68.
- A loan with a balance of £4,219 and monthly payments of £197. There had been no further missed payments since those set out in the details for the first loan.
- A loan with a balance of £8,345 and monthly payments of £439. There had been no further missed payments since those set out in the details for the first loan.
- A loan with a communications supplier with a balance of £677 and monthly payments of £40.
- A loan with a communications supplier with a balance of £600 and monthly payments of £20.
- A credit card with a balance of £253 against a credit limit of £250. There had been no further missed payments since those set out in the details for the first loan. But the information indicates it was currently over the credit limit.
- A current account overdrawn by £2,007 with a £2,000 overdraft limit. So it was over its overdraft limit.
- A current account overdrawn by £749 with a £750 overdraft limit.
- A mortgage with £486 a month payments.

It showed a default had been registered in January 2021 on a communications supplier account, and that Mr M had no CCJs.

It also showed Mr M had taken out loans in May 2021 (£200), June 2021 (£300) and June 2021 (£1,176) which had all been repaid.

Like with the first loan, I am not persuaded the income and expenditure record includes realistic figures. For example, Mr M's monthly credit commitments were listed as £600 but these were still £1,252 just for the hire purchase and loans (and on top of that payments would be needed to the credit card, and to try to repay the overdrafts). The home costs and utilities seem more realistic this time, but £50 a month on groceries seems unusually low.

This time Mr M was over his overdraft limit, with a debt of £2,756 against a £2,750 overdraft limit, and he was also over his credit card credit limit with a balance of £253 against a credit limit of £250. Mr M had taken out the first loan just five months ago, and since then he had taken out a further three loans (albeit all were repaid) before this one.

Having reviewed the information Loans 2 Go used when considering Mr M's loan application, I haven't been persuaded it lent responsibly. Mr M had a clear history of taking out short term loans and he was over both his overdraft and credit card limits. Whilst Mr M seemed, by now, to have got on top of the monthly payments as he hadn't missed any more, it seems likely this was achieved by borrowing elsewhere and juggling money from one credit commitment to another. The information seems to show a person that isn't managing their finances well, and that is over reliant on credit. Having considered everything very carefully I haven't been persuaded that the decision to proceed with the loan was in Mr M's best interests overall and I don't think the lending was affordable or sustainable.

For both loans, 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 M 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.

Putting things right

I direct Loans 2 Go Limited to settle this complaint as follows:

- Remove all interest, fees and charges on the loans and treat all the payments Mr M made as payments towards the capital. As this rework will result in him having effectively made payments above the original capital borrowed, then Loans 2 Go should refund this money to Mr M plus 8% simple interest applied to the overpayments, from the date the overpayments would have arisen, to the date of settlement*.
- Remove any adverse information recorded on Mr M's credit file in relation to the loans.

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

My final decision

I uphold this complaint and direct Loans 2 Go Limited trading as Loans 2 Go to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 16 April 2025.

Julia Meadows
Ombudsman