

The complaint

Mr D, through his representative, complains that Loans 2 Go Limited lent to him when he could not afford it and so lent to him irresponsibly.

What happened

Mr D took two loans. The table gives a summary.

Loan	Approved	Amount and term	Repayment terms	Status
1	3 March 2018	£500 – 18 months = 78 weeks	£26.14 a week	Paid off 6 March 2019
2 used to repay balance on Loan 1	6 March 2019	£400 – 18 months = 78 weeks	£21.10 a week	Settled 16 October 2019

After Mr D had complained and received the final response letter (FRL) from Loans 2 Go, he referred it to the Financial Ombudsman Service. One of our investigators considered that neither of the loans should have been approved for Mr D. Loans 2 Go disagreed and the unresolved complaint was 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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all the relevant rules, guidance, and good industry practice - on our website.

The rules and regulations in place required Loans 2 Go to carry out a reasonable and proportionate assessment of Mr D's ability to make the repayments under these agreements. This assessment is sometimes referred to as an "affordability assessment" or "affordability check". After November 2018, the FCA's rules altered a little and I am aware of that, however it didn't materially change what Loans 2 Go needed to do.

The checks had to be "borrower" focused – so Loans 2 Go had to think about whether repaying the loan would be sustainable and/or cause significant adverse consequences for Mr D. In practice this meant that Loans 2 Go had to ensure that making the payments to the loan wouldn't cause Mr D undue difficulty or significant adverse consequences.

In other words, it wasn't enough for Loans 2 Go to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mr D. Checks also had to be "proportionate" to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr D's complaint.

Loans 2 Go has sent to us the detailed application forms completed by Mr D, the Income and Expenditure (I&E) details it had for him and a copy of the credit searches it carried out.

I take Loans 2 Go's point that as a sub-prime lender some adverse credit file data does not necessarily lead to it refusing loans. But, in Mr D's circumstances, it had enough information available to it to calculate a more accurate I&E. Mr D could not afford the repayments on these loans. And so, I am making the decision to uphold the complaint for the same reasons iterated by the investigator – but in addition I consider that Mr D could not afford these loans. I explain in a bit more detail here.

The FRL also sets out the calculations presented on the I&E spreadsheets for each loan and the end net figures do not include the Loans 2 Go loan repayments and so I have proceeded along the same lines.

Loan 1

The I&E presented for Loan 1 has a note next to Mr D's income of £2,015 a month that Loans 2 Go had used the average over 14 wages slips. So that was a good verification of Mr D's income.

The I&E lists several items which are noted as being paid for by Mr D's wife. So, proceeding on the basis it was correct, I note that the household expenditure (including Mr D's share of rent/mortgage) that he had declared all added up to £633 each month. And that was after Loans 2 Go had recalculated the weekly £15 travel cost as £65 a month.

Loans 2 Go then appears to have listed £1,078.71 as 'other' which I consider relates to the credit commitments. And to check this I went through the credit search report it had obtained at the time.

Loans 2 Go did not have to get a credit report, but having obtained one it needed to apply the information it had to the creditworthiness assessment correctly. I think it missed some credit commitments which does make a difference to the I&E.

Plus I endorse what our investigator has said as I can see that Mr D took at least three pay day or high cost short term loans between late December 2017 and early 2018 which does suggest that Mr D needed them to make ends meet. And Mr D had signed up to a new hire purchase agreement in early 2018.

Mr D had £687 a month of unsecured loan repayments plus one that had a significant balance on it and was marked as costing him £211 periodically. So, although I do not know what the monthly equivalent cost was for that account, it was a debt with a significant balance and cannot be ignored.

He had a new hire purchase agreement (as mentioned earlier) costing him £121 a month. Mr D had several credit card accounts, two of which had some credit availability left on them. The outstanding balance on those (not in default) was just under £3,300 in total. The minimum repayments on these cards likely was costing Mr D around £100 a month. . This would not have accounted for much decrease in the capital amount owed on the cards.

He had two accounts that had defaulted and were with debt collectors and these two combined looked to have been costing him around £52 each month by observing the reducing balance figures. His telephone bill agreements were £28 and £25 and so £53 each month not the £35 that Loans 2 Go had already added to the I&E for telecoms. So, I have added a further £18 for that.

So, this figure for 'other' on the I&E Loans 2 Go has sent to us of just under £1,079 each month, ought to have been £1,188 each month.

This overall credit cost was a high percentage of Mr D's net salary – around 59%. But in addition to that I have noted that Mr D was taking loans regularly and recently which indicates to me that he was borrowing to pay for other borrowing and was likely reliant on credit.

So, although Loans 2 Go had calculated that Mr D had just over £303 each month left over with which to use to repay Loan 1, (the equivalent of around £113 a month) I think Mr D had much less than that each month and therefore the loan was unaffordable.

Mr D spent £1,188 on credit and £633 on other costs for living and so that added up to £1,821 each month. Add in the monthly cost of Loan 1 - £113 – then that takes it to £1,934. Mr D earned £2,015 so he would have been left with £81 a month which I consider too low a sum to be left with when Loans 2 Go ought to have reasonably known he was also using expensive, short term credit.

I uphold Mr D's complaint about loan 1.

Loan 2

Loan 2 was applied for when Mr D still had an outstanding balance on Loan 1. He had repaid the first loan relatively well – although there had been some repayment issues in December 2018 and January 2019 (using the account notes). Mr D was looking to consolidate the balance of Loan 1 into the new Loan 2.

Using the I&E Loans 2 Go has provided, it had verified Mr D's monthly income as £2,089 after taking an average of four weeks' payslips. According to the Loans 2 Go I&E, Mr D was left with £202 to repay Loan 2 which at £21.10 a week translated into just over £91 each month. So, it says the loan was affordable.

The I&E shows Mr D's housing and food and general expenditure to be £1,009. Loans 2 Go seemed satisfied to use those figures and so it seems reasonable for me to do that.

I reviewed the credit report it had obtained before lending to Mr D. He was still taking payday loans and had taken three in January 2019. In between loan 1 and applying for loan 2 Mr D had also taken an additional £2,700 loan in September 2018. And I think that the £875 figure Loans 2 Go had for his monthly credit commitment costs was too low.

Mr D was spending £737 each month on six loans outstanding, £121 on the HP agreement, and his total credit card outstanding balance was £3,800. A fair monthly cost to cover the credit card payments would be around £150 which as before would not have led to much reduction in the capital amount owed. These all add up to £1,010. That means that after paying for all he owed, Mr D would have had £70 left over and so that would not have been enough to repay Loan 2 Go.

I uphold the complaint about both loans and I've set out below what Loans 2 Go needs to do in order to put things right.

Putting things right

These loans have been repaid. Loans 2 Go needs to do as follows:

- Remove all interest, fees and charges applied to both loans from the outset. The payments made over and above the capital sums of £500 and £400 should be refunded; and
- Add interest at 8% per year simple interest on the refunded sums from the date they were made by Mr D to the date of settlement*
- Amend the credit file about the two loans to remove any adverse data.

*HM Revenue & Customs usually requires Loans 2 Go to deduct tax from this interest. It should give Mr D a certificate showing how much tax it has deducted if he asks for one.

I've considered whether the relationship between Mr D and Loans 2 Go might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed should be carried out for Mr D results in fair compensation for him 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.

My final decision

My final decision is that I uphold the complaint and I direct that Loans 2 Go Limited does as I have outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 11 July 2025.

Rachael Williams
Ombudsman