

The complaint

Ms S complains Loans 2 Go Limited (Loans 2 Go) acted irresponsibly when it provided a loan to her when she was already struggling financially.

What happened

Ms S says Loans 2 Go provided her with a loan of £500 in January 2020 repayable over 78 weeks, at a time when she was already experiencing financial problems and if it had carried out more thorough checks it would have shown that the loan was unaffordable. Ms S wants Loans 2 Go to refund all interest and charges with 8% simple interest and remove any adverse entries from her credit file.

Loans 2 Go says it carried out stringent checks before approving the loan to Ms S, including credit reference checks, affordability assessments and industry standard data relating to expenditure. Loans 2 Go says it is not obliged to check bank statements as part of its credit assessment process, and there was nothing to suggest from the information available at the time that Ms S was unable to afford the loan repayments.

Loans 2 Go says it is a high-cost short term credit provider and lend to consumers with a less than perfect credit rating. That said, Loans 2 Go says Ms S met all of the weekly loan payments which suggests the loan was affordable.

Ms S wasn't happy with the Loans 2 Go's response and referred the matter to this service.

The investigator looked at all the available information and upheld the complaint.

The investigator felt while Loans 2 Go had carried out reasonable and proportionate checks here, there was evidence of an outstanding commitment on Ms S's credit file that was six months in arrears at the time of her application. The investigator felt this should have evidenced to Loans 2 Go that providing further credit may not have been sustainable, as she couldn't afford her existing lending at the time.

The investigator acknowledged Loans 2 Go provided Ms S forbearance after the loan had been approved during the Covid lockdown.

The investigator instructed Loans 2 Go to refund all interest and charges on the loan account with 8% simple interest on that sum.

Loans 2 Go didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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.

Having done so, I will also be upholding this complaint and I will explain how I have come to my decision.

I was sorry to learn Ms S is experiencing financial difficulties, and this must be a worrying time for her. When looking at this complaint I will consider if Loans 2 Go acted reasonably when it approved the loan of £500 to Ms S in January 2020.

It's worth saying here that there is no set rules as to what checks businesses must undertake before approving loan facilities to consumers, other than they are reasonable and proportionate, taking into account the amount, term and cost of such borrowing.

Loans 2 Go are a high-cost short term lender and from the information I have seen, it carried out what could be considered to be industry standard checks before granting the loan, including credit checks and income and expenditure verification, using information from the Office for National Statistics (ONS).

So, like the investigator I am satisfied Loans 2 Go did carry out proportionate checks for a loan of this amount and term. While that is an important part of the credit assessment it doesn't stop there, as it's also important that lenders act upon the information it has seen and I'm not convinced Loans 2 Go did that thoroughly enough here.

I say this because when it carried out its credit search with the credit reference agencies, it showed a loan agreed in 2007 was still outstanding with over half the debt remaining and arrears in excess of six months. It's reasonable to suggest that this loan had become unaffordable, and those monthly loan repayments were less than the repayments of the loan being offered by Loans 2 Go.

So, with that background knowledge Loans 2 Go should have at the very last questioned why this loan was still outstanding before it approved any further lending here. It's reasonable to say in all likelihood if it had, it would have discovered the outstanding loan repayments with the other lender were unaffordable to Ms S and that would in all probability have led to Ms S's loan being declined.

While Loans 2 Go will be disappointed with my decision, I am satisfied this is a fair outcome here.

Putting things right

I instruct Loans 2 Go Limited to refund all interest and charges applied to the loan account along with 8% simple interest on that sum*.

*HM Revenue & Customs requires Loans 2 Go Limited to take off tax from this interest. Loans 2 Go limited must give Ms S a certificate showing how much tax they've taken off if she asks for one.

Loans 2 Go Limited should also remove any adverse entries from Ms S's credit file relating to this loan.

My final decision

My final decision is that I uphold this complaint.

I instruct Loans 2 Go Limited to refund all interest and charges applied to the loan account along with 8% simple interest on that sum*.

*HM Revenue & Customs requires Loans 2 Go Limited to take off tax from this interest. Loans 2 Go Limited must give Ms S a certificate showing how much tax they've taken off if she asks for one.

Loans 2 Go Limited should also remove any adverse entries from Ms S's credit file relating to this loan

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 7 May 2025.

Barry White
Ombudsman