

The complaint

Mr P complains that Loans 2 Go Limited was irresponsible in its lending to him. He wants all interest and charges he has paid refunded along with statutory interest. He also wants any adverse information removed from his credit file.

Mr P is represented by a third party but for ease of reference I have referred to Mr P throughout this decision.

What happened

Mr P was provided with three loans by Loans 2 Go.

Loan	Date	Amount	Term	Monthly repayment	Total repayable
1	December 2020	£1,100	24 months	£132.73	£3,185.52
2	June 2021	£2,065	24 months	£249.18	£5,980.32
3	April 2022	£400	18 months	£82.22	£1,479.96

Mr P said that adequate checks weren't carried out before the loans were provided noting that he wasn't asked for proof of his income or about his mental health. He said that at the time of the loans he was experiencing financial difficulties, was unemployed and was borrowing from other lenders.

Loans 2 Go issued a final response to Mr P's complaint dated 19 March 2024. It said that stringent checks were undertaken before lending to ensure the information provided by Mr P was accurate and reliable. It said it assessed the information received and carried out a credit check and that based on its checks the loans were affordable.

Mr P didn't agree with Loans 2 Go's response and referred his complaint to this service.

Our investigator thought that Loans 2 Go carried out proportionate checks before loan one was provided and as he didn't think these raised concerns about the affordability of the loan, he didn't uphold this complaint regarding loan one.

Our investigator thought that further checks should have been carried out before loans two and three were provided. However, he also thought that the information available to Loans 2 Go at the time showed further lending wasn't appropriate. He calculated the amounts that Mr P needed to pay towards his credit commitments and based on this, and the other information available, he found the repayments for loans two and three were unaffordable. Therefore, he upheld this complaint in regard to loans two and three.

Loans 2 Go didn't agree that the complaint should be upheld. It said that Mr P's credit report showed he was up to date with his credit commitments apart from one arrangement to pay. It

said this showed that Mr P was able to manage his existing commitments and he hadn't taken out any payday loans in the previous two years. Based on this it didn't think it needed to request copies of Mr P's bank statements or additional information as its checks showed the lending to be affordable.

Our investigator considered Loans 2 Go's comments but as these didn't change his view this complaint has been passed to me, an ombudsman, to issue a 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit. Mr P was provided with three loans, and I have considered each of these lending decisions separately.

Loan 1: December 2020

Mr P applied for a £1,100 loan in December 2020. As part of the application process, Loans 2 Go gathered information about Mr P's employment, income and expenditure. Mr P declared a monthly income of £1,850 and Loans 2 Go used a credit reference tool to verify this. A credit check was carried out and this, along with third party data and the information Mr P had provided, was used to calculate his disposable income.

The credit check didn't identify any active county court judgements, individual voluntary arrangements or bankruptcies and there were no recent defaults. Mr P had ten active accounts, and these were all up to date. He had three credit card accounts, but he wasn't utilising the full credit available. As the credit file didn't raise concerns, and noting the size of the loan, I think the checks carried out by Loans 2 Go were proportionate.

As I find the checks proportionate, I have considered the information these provided to assess whether Loans 2 Go made a fair lending decision. Loans 2 Go has said that its income verification was able to support a minimum monthly income of £1,325.45. Mr P provided information about his expenses and Loans 2 Go used this information along with third party data and Mr P's credit file to calculate his monthly expenses which totalled £1,005.11 (higher than Mr P had declared). Based on the information I have seen I find it reasonable that Loans 2 Go relied on these figures in its assessment (which gave a lower disposable income figure than would be calculated based on Mr P's declared income and expenses). As this didn't suggest the lending to be unaffordable for Mr P I do not find I can say Loans 2 Go was wrong to provide Mr P with this loan.

Loan 2: June 2021

Mr P made the repayments due under his first loan and loan two settled loan one. Loan two was for a larger amount (£2,065) and required 24 monthly repayments of around £249. As Mr P was taking out a second loan six months after the first and was increasing his borrowing, I think it was important that Loans 2 Go had a clear understanding of his circumstances to ensure the additional lending would be sustainably affordable for him.

As with loan one, Loans 2 Go gathered information through the application process about Mr P's employment, income and expenses. Mr P declared a monthly income of £1,930 and Loans 2 Go was able to verify a minimum monthly income of £1,604.49. Mr P was employed with the same employer that he had previously declared. Mr P recorded his expenses as totalling £900 but after further checks Loans 2 Go calculated his expenses to be £1,1162.22. This left disposable income before the loan repayments of £442.27 and after the repayments of £193.09.

The credit check didn't record any recent defaults or active judgements, individual voluntary arrangements or bankruptcies and Mr P was up to date with his existing credit commitments. But Mr P's active accounts and total outstanding debts had increased since his previous loan and he had taken out two loans and an additional credit card within the previous six months. Given this, I think that further checks should have been undertaken to understand Mr P's specific income and expenses to ensure the lending was affordable.

Mr P was asked to provide copies of his bank statements from the time but hasn't been able to do so. I have therefore looked through the information that was available to see if this should have raised concerns. Loans 2 Go has provided a breakdown of the information it included in its disposable income calculations for loan two. The amounts included for Mr P's general expenditure and rent totalled £650, and the amount included for his credit commitments was £512.

However, based on Mr P's credit check, he was making payments totalling around £444 towards his fixed credit commitments. Mr P also had outstanding balances on his credit card / mail order accounts. These accounts had total credit limits of £5,600 which would require monthly repayments of around £280. This means that his total repayments towards his credit commitments (before the Loans 2 Go loan) would be around £724. When including the repayments due on the Loans 2 Go loan, Mr P's credit commitments accounted for around 60% of his monthly income. Considering Mr P's total costs of £1,623 (including the Loans 2 Go loan) would result in him having negative disposable income. I think this should have raised concerns that the additional credit wasn't sustainably affordable for Mr P. Therefore, I am upholding this complaint in regard to loan two.

Loan 3: April 2022

Mr P repaid loan 2 early in September 2021. His third loan was provided around six months later, was for a smaller amount than had been previously lent and had monthly repayments of around £82. As with the previous loans, before loan three was provided Loans 2 Go gathered information about Mr P's employment, income and expenses and verified the information with the credit reference agencies and third-party data.

Loans 2 Go was able to verify Mr P as having a minimum monthly income of £1,546.94. It calculated his monthly expenses as £1,254.62 which included credit commitments of £642.05. This left disposable income of around £292 and as the repayments due under the were around £82, this appeared affordable. However, the credit check that Loans 2 Go carried out showed Mr P had 19 active accounts and was making use of short-term loans. He had taken on new debt in the months leading up to this application and one of his accounts had been placed in an arrangement to pay. I think this should have raised concerns about Mr P's ability to sustainably manage any additional credit.

I have also looked at the details in Mr P's report and these show Mr P was required to make monthly payments towards his fixed credit commitments of around £410 and had credit limits on his credit card and mail order account totalling £9,450. Taking this into account, along with the concerns raised about Mr P's increasing reliance on debt and that he had an account recently enter an arrangement to pay, I do not think that Loans 2 Go should have

considered this lending to be sustainably affordable. I note that Mr P withdrew from this loan agreement, but I think it fair he is refunded any interest he paid.

In conclusion, I am upholding this complaint in regard to loans two and three.

I've also considered whether Loans 2 Go acted unfairly or unreasonably in some other way given what Mr P has complained about, including whether these relationships with him might've 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 P 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

As I don't think Loans 2 Go ought to have opened loans two or three, I don't think it's fair for it to be able to charge any interest, or charges under these credit agreements. But I think it's fair Mr P has repaid the amounts borrowed.

Therefore, for loan two Loans 2 Go should add up the total repayments Mr P made and deduct these from the total amount of money he received. Then:

- a) If this results in Mr P having paid more than he received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement).*
- b) Loans 2 Go should also remove all adverse information regarding this account from Mr P's credit file.

For loan three, Loans 2 Go should refund the interest paid between the loan agreement date and the loan cancellation, along with 8% simple interest (calculated from the date of cancellation).*

*HM Revenue & Customs requires Loans 2 Go to take off tax from this interest. It must give Mr P a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that Loans 2 Go Limited should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 4 April 2025.

Jane Archer
Ombudsman