DRN-5368109

The complaint

Mr A says Loans 2 Go Limited irresponsibly lent to him.

What happened

Mr A took out a loan for £750 from Loans 2 Go on 28 May 2024. The monthly repayments were £154.17 and the total repayable was £2,775.06.

Mr A says the loan was unaffordable and too expensive for him. He also questioned the early settlement figure he was given and feels the interest was too high. He says the loan has gone on to cause him significant stress as he has financial difficulties.

Loans 2 Go says it completed proportionate checks before lending to Mr A that showed he had enough disposable income to take on the loan. And the early settlement figure was calculated in line with the terms and conditions Mr A agreed to.

Our investigator did not uphold Mr A's complaint. She said the lender's checks were proportionate and showed the loan would be affordable for Mr A. He had agreed to the cost of the loan, and the interest calculation when Mr A asked for an early settlement figure was in line with his agreement.

Mr A disagreed with this assessment and asked for an ombudsman's review. He said whilst Loans 2 Go's income check was very accurate his expenditure was not properly verified. It would have been very easy for the lender to review his bank statements and this was not done. Better checks would have shown he could not afford this loan, his essential outgoings were £3,374 – so in excess of his verified income. He has had to entre a debt management plan as a result.

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 of the relevant rules, guidance and good industry practice - on our website. Having carefully thought about everything, I think that there are two overarching questions that I need to answer in order to fairly and reasonably decide Mr A's complaint. These two questions are:

1. Did Loans 2 Go complete reasonable and proportionate checks to satisfy itself that Mr A would be able to repay the loan without experiencing significant adverse consequences?

    - If so, did it make a fair lending decision?
    - If not, would those checks have shown that Mr A would've been able to do so?

2. Did Loans 2 Go act unfairly or unreasonably in some other way?

The rules and regulations in place required Loans 2 Go to carry out a reasonable and proportionate assessment of Mr A's ability to make the repayments under this agreement. This assessment is sometimes referred to as an affordability assessment or affordability check.

The checks had to be borrower focused – so Loans 2 Go had to think about whether repaying the loan would cause significant adverse consequences for Mr A. In practice this meant that business had to ensure that making the payments to the loan wouldn't cause Mr A 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 A.

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 particular 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.

In light of this, 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 of time 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 of the arguments, evidence and information provided in this context and what this all means for Mr A's complaint.

Loans 2 Go has provided evidence to show that before lending it asked for some information from Mr A. It asked for his monthly income, expenses and employment status. It completed an income verification check with a third-party and checked his living costs against national averages. As a result, it reduced his declared income and increased his declared expenses. It carried out a credit check to understand his credit history and existing credit commitments. Based on these checks Loans 2 Go concluded the loan would be affordable for Mr A.

I think these checks were proportionate given the term and value of the loan, and the size of the monthly repayment relative to Mr A's verified income. And I think Loans 2 Go made a fair decision based on the information it gathered. I'll explain why.

Mr A declared a monthly income of £3,500. Loans 2 Go verified it to be £3,150 using an external tool. He declared outgoings of £2,030 but Loans 2 Go increased this to £2,630.33 based on national statistics and its credit check. This meant he would have £365 disposable income after taking on this loan. Mr A argues Loans 2 Go ought to have reviewed his bank statements as his outgoings were actually £3,374. But a lender is not obliged to check bank statements and as I've said I find its checks were proportionate for this loan application. I don't doubt Mr A's testimony that he was already struggling but I don't find Loans 2 Go needed to carry out the depth of financial review that would have been needed to possibly discover this.

I have also looked at the results of the credit check to ensure they showed no signs of financial difficulties. I don't think they did. Mr A had £8,508 of existing debt and was making repayments each month of £448. This was not a concerning proportion of his monthly income. No adverse data such as defaults, late delinquencies, CCJs or payment plans had been reported on his file in the previous 12 months. One account had early arrears but it had since been brought up-to-date. He was not using payday loans, or an overdraft facility on any of his current accounts.

So I in the round I find Loans 2 Go was not wrong to lend to Mr A.

Did Loans 2 Go act unfairly towards Mr A in some other way?

Mr A was also unhappy with the interest charged and the early settlement quote. But the costs were clearly set out in the pre-contract credit information and the loan agreement that Mr A signed electronically. So Mr A most likely knew what he was agreeing to pay. And Loans 2 Go has confirmed the quote for early settlement was calculated in line with the agreement as well as the relevant regulations.

The investigator set out in detail the steps Loans 2 Go took once aware of Mr A's financial difficulties. He has not challenged this sequence of events, and I am satisfied the lender's response was fair and showed forbearance as required.

I've also considered whether the relationship might have been unfair under Section140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Loans 2 Go lent irresponsibly to Mr A or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

I am not upholding Mr A's complaint.

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

Rebecca Connelley
Ombudsman