DRN-5369923

The complaint

Miss M complains that Loans 2 Go Limited ("L2G") acted irresponsibly when it lent to her. Miss M says she couldn't afford the loans and they shouldn't have been lent.

What happened

L2G lent Miss M three loans between August 2022 and July 2024. The details of the loans are as follows.

Loan number	Start date	Loan amount	Term	Monthly repayment	End date
1	27/08/2022	£350	18 months	£71.94	20/09/2022
2	11/04/2024	£300	18 months	£61.67	11/06/2024
3	15/07/2024	£800	18 months	£156.44	active

Miss M has run into difficulties repaying loan 3 and the account is in arrears.

Miss M complained to L2G about all her loans, but it didn't uphold any part of her complaint. It said it carried out sufficient checks and those checks showed she could afford the loans.

Unhappy with L2G's response, Miss M referred her complaint to the Financial Ombudsman Service where it was looked at by one of our investigators. Our investigator thought Miss M's complaint should be upheld in part. He didn't think L2G was wrong to lend loan 1 but thought it shouldn't have lent loans 2 and 3 as its checks showed Miss M was likely reliant on credit.

Miss M accepted the investigator's view on all her loans. L2G agreed with the investigator about loans 1 and 2 but disagreed about loan 3, it says its checks didn't suggest Miss M was reliant on credit. It exercised its right to ask for an ombudsman to decide, and so the complaint has been passed to me.

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.

I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Before lending money to a consumer, a lender should take proportionate steps to understand whether the consumer could repay without borrowing further or suffering significant adverse consequences.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn't set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend. The key thing was that any checks needed to be proportionate and had to take into account a number of different things, including things such as how much was being lent and when what was being borrowed was due to be repaid. A lender should also take into account and react appropriately to what it knew about the consumer at the time it made its lending decision. Both parties agree with the investigator's findings on loans 1 and 2, so there isn't a continuing dispute about those loans.

I've focused my decision on loan 3 as the outcome of the complaint about this loan remains in contention.

L2G has provided information to show Miss M filled out an application at the time of this loan. Miss M declared she was employed on a monthly income of £2,300, she also declared her total expenses including credit commitments as £1,584. L2G says it verified her income using its verification tool, this returned an income of £2,001, which was less than what Miss M declared. L2G also says it used data from Office of National Statistics (ONS) to work out Miss M's living costs and searched her credit file to determine her credit commitments. It says it worked her expenses including credit commitments were around £1,620, which was higher than Miss M declared. L2G used the lower income it found and the higher expenses to work out Miss M's affordability.

L2G has provided results of its search into Miss M's credit file and while there were no recent defaults or County Court Judgements (CCJs), the results show Miss M has been taking credit and repaying them on a short-term basis. Miss M took a loan each month from March 2024 to July 2024, one of her loans was lent by L2G in April 2024. From what I can see, Miss M had taken out her previous loans with L2G and closed them within a short time. There's an argument here to say Miss M was using these longer term, higher cost credit loans like payday loans. The credit file also shows that Miss M had around five active revolving credit accounts, three of which were within £5 of their credit limits, Miss M was in a similar situation at the time of loan 2 and her situation in this area hadn't improved.

So, on the face of L2G's checks, it appeared Miss M was left with sufficient disposable income to once her expenses and the cost of this loan was deducted from her verified income. However, I think had L2G paid attention to the information its credit search revealed, it would have seen that Miss M was likely reliant on credit.

Miss M had taken loans monthly in the preceding three months before this loan and this was the fourth loan in as many months. Miss M was using three of her revolving credit accounts in a way that meant her balance was close to the limit. In addition to this, she had two other active loans on her credit file. I think Miss M needed to borrow regularly to survive.

L2G would know its credit assessment isn't just based on whether Miss M could afford the repayments on a pound and pence calculation but also that she could do so without suffering adverse financial consequences. From what I can see, Miss M wasn't in a sustainable position to repay this loan over its term, without the need to borrow further. I think this has been borne out in the fact she started to struggle to repay the loan very shortly after it was approved.

So, while it is agreed L2G wasn't wrong to lend loan 1, it has lent loans 2 and 3 when it shouldn't have, and it needs to put things right.

Putting things right

Where a business has lent when it shouldn't have, the aim of any redress is to put a consumer back in the position they'd have been had the loan not been taken. In this case, Miss M has had use of the funds and so as this can't be returned, I think a fair way to put things right will be for Miss M to pay back any capital amount she'd had from loans 2 and 3. In essence Miss M shouldn't pay any interest, fees and charges attached to the upheld loans. I note loan 2 was withdrawn so Miss M may not have paid any interest on this loan but L2G should work this out.

To put things right, L2G should:

- Add together the total capital amount Miss M received for loans 2 and 3.
- Deduct all payments Miss M made towards those loans from the total above.
- If this results in overpayments, these should be paid to Miss M with interest at 8% per year simple on the payments from the date they were paid, if they were, to the date of settlement†.
- If there's an outstanding balance, then L2G should work with Miss M to agree a repayment plan so that Miss M doesn't pay any interest on either loan.
- Once the capital has been repaid, L2G should remove any adverse information recorded on Miss M's credit file about loans 2 and 3.

†HM Revenue & Customs requires L2G to take off tax from this interest. L2G must give Miss M a certificate showing how much tax it's taken off if she asks for one.

Has L2G acted unreasonably in some other way?

I've also thought about whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974, however, I'm satisfied the redress I have directed above results in fair compensation for Miss M in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

For the reasons set out above, I uphold Miss M's complaint in part and direct Loans 2 Go Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 18 April 2025.

Oyetola Oduola
Ombudsman