

The complaint

Mr D complains that Loans 2 Go Limited was irresponsible to lend to him on three occasions.

What happened

Loans 2 Go agreed three loans for Mr D from June 22 to September 2024. I've summarised some of the information it provided about these loans in the table below.

Loan	Date funded	Settled	Amount	Total owed	Repayment	Term (months)
1	10/06/2022	20/07/2022	£800	£2,959.92	£164.44	18
2	01/08/2022	13/03/2023	£1,720.00	£5,559.12	£231.63	24
3	24/09/2024	Ongoing	£300	£1,056.06	£58.69	18

Mr D repaid his first and second loans early. I understand that he had difficulty meeting his repayments for his second and third loans, and that the full balance for the latter remains outstanding.

Mr D complained to Loans 2 Go about his loans in November 2024. He said Loans 2 Go didn't carry out the relevant checks before lending to him. Mr D also said that it would have been clear from his banking that the loans weren't affordable, and he should not have been given a third loan because of the problems he'd had with his second. Mr D shared with Loans 2 Go that he had an issue with gambling.

Loans 2 Go didn't uphold Mr D's complaint. It said that it carried out an affordability assessment using information he provided, and information from credit reference agencies (CRA) and the Office of National Statistics (ONS) and was satisfied that the loans were affordable. Loans 2 Go also said that it had asked Mr D whether he was suffering from any addictions or had difficulty with his mental health as part of its checks, and he hadn't disclosed any issues prior to entering into the agreements.

Mr D wasn't happy with this response and referred his complaint to us. One of our investigators looked into things and found that Loans 2 Go didn't carry out reasonable and proportionate checks before lending to Mr D and that such checks would likely have shown that he was struggling with his finances and reliant on credit. They recommended that Mr D's complaint be upheld.

Loans 2 Go didn't agree with this recommendation and asked for the complaint to come to an ombudsman 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.

I've also had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as Loans 2 Go, need to abide by. Loans 2 Go will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise and refer to them where appropriate.

Before entering into a credit agreement, Loans 2 Go needed to check that Mr D could afford to meet his repayments as they fell due over the lifetime of the agreement, without having to borrow, without failing to make any other payment he had a contractual or statutory obligation to make and without the repayments having a significant impact on his financial situation.

The checks carried out needed to be proportionate to the nature of the credit (the amount borrowed or the term, for example) and to Mr D's particular circumstances. Generally, more in depth checks might be proportionate the higher the loan amount or the longer the loan term or the lending relationship, and Loans 2 Go needed to have proper regard to the outcome of its assessment in respect of affordability risk. The overarching requirement was that Loans 2 Go needed to pay due regard to Mr D's interests and treat him fairly.

With this in mind, my main considerations are did Loans 2 Go complete reasonable and proportionate checks when assessing Mr D's applications to satisfy itself that he would be able to make his repayments without experiencing adverse consequences? If not, what would reasonable and proportionate checks have shown? Was there anything of concern in the checks Loans 2 Go did carry out and did it make fair lending decisions? Did Loans 2 Go treat Mr D unfairly or unreasonably in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974?

Loans 2 Go provided the information it relied when making its lending decisions, which included Mr D's application forms and copies of his credit reports. Loans 2 Go said it verified Mr D's income via his payslips for his first loan and via a CRA report for his second and third.

Loans 1 and 2 agreed in 2022

Mr D gave his income as £1,800 in his application for his first loan in June 2022. Loans 2 Go's customer notes state that he provided two payslips which showed an average monthly income of £1,584. The notes also state Mr D's monthly expenses as £1,090 including a buffer amount and his credit commitments. Loans 2 Go estimated that Mr D would have almost £500 left to meet his loan repayment of £164, and found the loan would be affordable for him.

Mr D's credit file from the time showed that he'd taken out three loans and a credit card in April 2022, and agreeing this loan would commit Mr D to spending about a third of his income repaying his debts. Mr D was almost up to his limit on an overdraft of £2,000 and just over his £500 limit on another. He wasn't earning more than his overdraft balance, and given this and his recent borrowing it seems to me that at that time Mr D was reliant on credit to meet his commitments and living costs.

Altogether, I think Loans 2 Go should have been concerned that Mr D would not be able to meet his loan repayments without difficulty. I understand that Loans 2 Go used ONS figures to estimate Mr D's expenses. In this case, I think Loans 2 Go had reasonable cause to suspect that Mr D's expenses might be significantly higher, and should have taken steps to find out more about his non-discretionary spending.

Mr D gave his income as £1,800 again in his second application in August 2022. Loans 2 Go said it verified that Mr D received a minimum of around £1,589.75 monthly via an online income verification tool. It estimated Mr D's monthly expenses as £1,198, which left him a minimum disposable income of just less than £400 to meet his loan repayments of £232.

I appreciate that Mr D repaid his first loan early, but he'd applied for this second loan within two weeks of doing so. Again, I think Loans 2 Go should have been concerned that Mr D was reliant on credit, given his frequency of borrowing and that his overdraft debt was more than his wages. Agreeing this loan would commit Mr D to spending more than a third of his monthly income meeting his debt repayments and, as before, I think Loans 2 Go should have looked into Mr D's circumstances in more depth before agreeing a second loan for him.

Mr D has provided us with his bank statements and I've reviewed these. To be clear, I'm not suggesting that this is the information Loans 2 Go should have relied on but it is the information I have and I think it's reasonable for me to rely on it to consider what proportionate checks for these two loans might have revealed.

The statements show that Mr D's monthly expenses were higher than Loans 2 Go had estimated being at least £1,400. His monthly rent payment was £670, his existing debt payments came to over £300, and his travel and food costs were around £140 and £300 respectively in the three months leading up to Loan 1. Mr D's circumstances didn't significantly change throughout June and July, if anything his spending increased. As mentioned, he was rarely out of his overdraft and had many returned direct debits.

Even without considering any other living costs Mr D might have had, such as utility bills or council tax for example, it seems to me that he wouldn't have been able to meet his repayments for either of these loans without difficulty. I think it's likely that Loans 2 Go would have learnt this through a reasonable and proportionate check and would not have agreed to lend to him on either occasion.

As our investigator found, Mr D was also transferring significant sums to a trading platform, the source of which was often borrowed money. Mr D described this spending as a serious gambling problem. His monthly spend over April to July 2022 ranged from £2,000 to over £8,000 and this is what his first two loans from Loans 2 Go financed.

I'm not sure whether Loans 2 Go would have discovered the full extent of Mr D's spending even had it carried out more in-depth checks before lending to him. It might have suspected that his spending pattern was causing him financial harm, given the amount of credit (some of it high cost) he took out in a short space of time. However, as I've explained above, I think it's likely that Loans 2 Go would have learnt enough to see that agreeing further credit for Mr D wasn't responsible or fair at that time.

Loan 3 agreed in 2024

Mr D repaid his second loan early and didn't apply for his third for another 18 months. This time he gave his income as £2,000. Loans 2 Go said it verified that Mr D received a minimum of around £1,253 monthly via an online income verification tool. It estimated his monthly expenses to be £995, which left him a minimum disposable income of just under £260 to meet his loan repayments of £59.

Mr D's credit file from the time shows that he was having difficulty meeting his existing debts. He'd missed several payments on a telecoms account, a credit card account and a loan in the previous 12 months. Mr D was still up to his limit on an overdraft of £2,000 and almost up to his £500 limit on another, was making payments of £160 on a loan taken out a few months before and had just repaid a short term loan.

For the same reasons as before, I think Loans 2 Go should have been concerned that Mr D was reliant on credit and at this point there were clear indications in his credit file that he was struggling with his finances. The monthly repayments for both the telecoms account and the loan were less than the repayments for this new loan and yet Mr D was not managing to meet them. I don't think Loans 2 Go treated Mr D fairly or with due regard to his interest when it lent to him under these circumstances.

I also considered whether Loans 2 Go treated Mr D unfairly or unreasonably in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. And I'm satisfied the redress I have directed below results in fair compensation for Mr D in the circumstances of this complaint and that no additional award would be appropriate in this case.

Putting things right

I've concluded that Loans 2 Go was irresponsible to have agreed loans for Mr D in June and August 2022, and in September 2024. I think it's fair that Mr D repays the capital he borrowed as he's had the use of this but he shouldn't have to pay any interest, fees or charges associated with the loans.

In summary, Loans 2 Go should:

- Cap the amount Mr D needs to repay at the total capital he borrowed for these loans, and consider all payments he made as payments towards this capital amount; and
- If Mr D has repaid more than he borrowed, then any overpayments should be refunded to him, along with 8% simple interest per annum* added to these payments from the date they were paid to the date this complaint is settled; or
- If Mr D hasn't repaid more than the capital he borrowed, then Loans 2 Go should work with him to arrange an affordable repayment plan for the remainder.
- Remove any adverse information about these loans from Mr D's credit file once settled.

If Loans 2 Go has sold any of these loan balances to a third party debt collector, it will need to either buy the balances back or work with the third party to bring about the above steps.

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

My final decision

For the reasons given above, I am upholding Mr D's complaint about Loans 2 Go Limited and it needs to put things right as I've set out.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 5 May 2025.

Michelle Boundy
Ombudsman