DRN-5391158

The complaint

Miss S, through a representative, says Loans 2 Go Ltd irresponsibly lent to her.

What happened

Miss S took out two loans from Loans 2 Go as set out below:

loan	taken out	repaid	value	term	monthly repayment
1	Jan-20	Jul-20	£1,000	18 months	£228.56
2	Dec-20	Mar-21	£1,380	24 months	£166.53

Miss S says Loans 2 Go did not carry out adequate checks before lending given her existing credit commitments and how she was managing them.

Loans 2 Go says it carried out proportionate checks that showed Miss S could afford to sustainably repay both loans.

Our investigator did not uphold Miss S's complaint. He found the lender's checks were proportionate and it made fair lending decisions based on the information it gathered.

Miss S disagreed and asked for an ombudsman's review. She said given the information on her credit file Loans 2 Go should have carried out further checks.

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 Miss S's complaint. These two questions are:

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

    - If so, did it make fair lending decisions?
    - If not, would those checks have shown that Miss S 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 Miss S's ability to make the repayments under these agreements. 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 loans would cause significant adverse consequences for Miss S. In practice this meant that business had to ensure that making the payments to the loans wouldn't cause Miss S 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 repayments on Miss S.

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 reasonable and proportionate checks 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 Miss S's complaint.

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

I think these checks were proportionate given the value and term of the loans and their monthly payments relative to Miss S's income. And I think the lender made fair lending decisions based on the information it gathered. I'll explain why.

Loan 1

Miss S declared a net monthly income of £1,600. Loans 2 Go checked this and was able to verify a figure of £1,534.18. Using ONS data and the result of the credit check it understood Miss S's total non-discretionary outgoing were £1,145.53. So it was reasonable to conclude the loan was affordable on a pounds and pence basis. But also needed to consider Miss S's creditworthiness.

The credit check showed she had debt of £9,145 across eight accounts which were all up to date at the time. One account had a single missed payments four months ago but it was brough back up to date the following month. And one mail order account had been two months in arrears in the last six months, however that now had a zero balance. There were no IVAs, bankruptcies or recent defaults. Any significant adverse data was historic. Miss S had used payday loans but in 2018/2019 and they had all been settled in full. So in the round, I think it was fair for Loans 2 Go to conclude Miss S's finances were not under strain at the time she applied.

It follows I don't find Loans to Go was wrong to give loan 1 to Miss S.

Loan 2

Miss S declared a net monthly income of £1,743. Loans 2 Go checked this and was able to verify a figure of £1,736.74. Using ONS data and the result of the credit check it understood Miss S's total non-discretionary outgoing were £1,395.82. So it was again reasonable to conclude the loan was affordable a on pounds and pence basis. As before, Loans 2 Go also needed to consider Miss S's creditworthiness. The credit check showed she had debt of £6,044 across eight accounts which were all up to date at the time. Her credit score had improved since loan 1 and her use of the available credit on her cards had dropped. There was no new adverse data. And Miss S had settled loan 1 early in full. So again, I think it was reasonable for Loans 2 Go to conclude Miss S's finances were not under strain at the time she applied.

It follows I don't find Loans to Go was wrong to give loan 2 to Miss S.

Did Loans 2 Go act unfairly towards Miss S in some other way?

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 Miss S or otherwise treated her 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 Miss S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 21 April 2025.

Rebecca Connelley
Ombudsman