DRN-5411094

The complaint

Miss M, through a representative, says Loans 2 Go Limited irresponsibly lent to her.

What happened

Miss M took out an 18-month instalment loan for £330 from Loans 2 Go on 6 September 2022. The monthly repayments were £67.83 and the total repayable was £1,220.94.

Miss M says she was given this high-interest loan without an adequate credit worthiness check. No comprehensive income verification or affordability assessment was completed. This means she now has substantial difficulties in meeting her financial commitments.

Loans 2 Go says it completed appropriate checks that showed the loan would be sustainably affordable for Miss M.

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

Miss M disagreed and asked for an ombudsman's review. She said the affordability assessment was flawed and certain outgoings were overlooked, also the income she declared was not verified.

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 approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

The rules and regulations when Loans 2 Go lent to Miss M required it to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check.

The checks also had to be borrower-focused. So Loans 2 Go had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Miss M. 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 Miss M. Checks also had to be proportionate to the specific circumstances of each loan application. In general, what makes up 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 and cost of credit they have applied for. In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the longer the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether Loans 2 Go did what it needed to before agreeing to lend to Miss M. So to reach my conclusion I have considered the following questions:

- did Loans 2 Go complete reasonable and proportionate checks when assessing Miss M's loan application to satisfy itself that she would be able to repay the loan in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did Loans 2 Go make a fair lending decision?
- did Loans 2 Go act unfairly or unreasonably in some other way?

I can see Loans 2 Go asked for some information from Miss M before it approved the loan. It asked for her monthly income and expenditure. It then verified her declared income using a third-party tool from one of the credit reference agencies (CRA). It reviewed her declared expenditure to ensure it was reasonable based on national statistics and increased it accordingly. It checked Miss M's credit file to understand her existing monthly credit commitments and credit history. From these checks combined Loans 2 Go concluded Miss M had enough monthly disposable income for the loan to be affordable.

I think these checks were proportionate give the loan value, the value of the monthly repayment relative to Miss M's income, and the stage in the lending relationship. Miss M's assertion that her declared income was not checked is inaccurate - as I've said it verified what she had said through one of the CRAs. And I think it was reasonable given the loan size that Loans 2 Go used estimated outgoings based on national statistics to restate her declared outgoings, rather than reviewing her bank statements.

I also think Loans 2 Go made a fair lending decision based on the information it gathered. I'll explain why.

Miss M declared a net monthly income of £1,200 and Loans 2 Go was able to verify an amount of £1,195.40. She declared non-discretionary monthly costs of £356. Loans 2 Go increased this to £1,007.46. So it calculated Miss M would have disposable income of £192.54 and could afford the loan on a pounds and pence basis.

But it was also required to make sure repaying the loan would not have any adverse financial consequences for Miss M. To do this it carried out a credit check to understand her creditworthiness. This showed she had £8,489 of active debt. This was all up-to-date and she had no recent arrears. Almost 90% of this was on a hire purchase agreement. She had two current accounts, neither of which had an overdraft facility in use. There was some evidence she had struggled financially in the past, as there were two CCJs registered against her. One was from 2017 (settled in 2018) and the second was from 32 months before (£391 outstanding). In the round I don't think this adverse historic data was a reason not to lend £330 to Miss M given the results of the other checks.

It follows I do not think Loans 2 Go was wrong to lend to Miss M.

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 M 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 M’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss M to accept or reject my decision before 2 May 2025.

Rebecca Connelley
Ombudsman