DRN-5434947

The complaint

Mr P complains that Loans 2 Go Limited trading as Loans 2 Go was irresponsible in its lending to him. He wants all interest and charges he has paid refunded along with interest and any adverse information removed from his credit file.

Mr P is represented by a third party but for ease of reference I have referred to Mr P throughout this decision.

What happened

Mr P was provided with four loans by Loans 2 Go, the details are set out below.

Loan	Date	Amount	Term	Monthly repayment
1	December 2019	£1,000	18 months	£228.56
2	February 2020	£1,000	18 months	£228.56
3	May 2020	£1,000	18 months	£228.56
4	October 2020	£2,000	24 months	£329.33

Mr P said that adequate checks weren't carried out before the loans were provided and that he had other debts outstanding at the time.

Loans 2 Go issued a final response to Mr P's complaint dated 30 August 2024. It said that before the loans were provided it carried out stringent checks to determine whether the personal and financial information provided by Mr P was accurate and reliable. It said creditworthiness checks were undertaken using information from the credit reference agencies and affordability checks carried out based on the information provided through the applications and other external data. It said Mr P's income and expenditure data was collected and his declared income was verified. Based on its checks, Loans 2 Go didn't accept that the loans were lent irresponsibly.

Mr P referred his complaint to this service.

An initial view was issued upholding all loans. However, after further investigation, a second view was issued. In this second view, our investigator noted the checks carried out before the loans were provided and thought these were proportionate. He then considered whether, based on the information available, Loans 2 Go had made fair lending decisions. Having assessed the evidence our investigator thought that Loans 2 Go had made a fair lending decision in regard to loan one, but he didn't think that loans two, three and four should have been provided as he thought the evidence showed that Mr P had become reliant on debt.

Loans 2 Go accepted our investigator's view in regard to the non-uphold of loan one and the uphold of loans three and four. However, it didn't agree that loan two was lent irresponsibly. It said that at the time of application there had been no reported arrears, and that Mr P was managing his existing credit. It said that there wasn't evidence that Mr P was in a cycle of debt as no other credit had been opened since the first loan with Loans 2 Go. It noted that Mr P had maintained his contractual payments which it said indicated the loan was affordable.

Our investigator responded to Loans 2 Go's comments but as these didn't change his view, and a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a decision.

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 general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mr P was provided with four loans by Loans 2 Go. Before each loan was provided, Loans 2 Go gathered information about Mr P's income and carried out affordability and credit worthiness checks. It relied on information from the credit reference agencies to validate Mr P's income and to assess his existing credit commitments and how these were being managed. An affordability assessment was carried out based on the information provided by Mr P or statistical data. Noting the size of the loans and the required repayments, and noting Mr P's income and that his credit report didn't record any defaults, county court judgments or other adverse data I find these checks were proportionate.

However, just because I think the checks were proportionate this doesn't necessarily mean the loans should have been provided. To assess this I have looked at the information obtained through the checks to understand whether this should have raised concerns about the affordability of the loans or any other issues that meant the loans shouldn't have been provided. I have considered each lending decision below.

December 2019

Before the first loan was provided, information was gathered about Mr P's employment, income and certain expenses. He declared he was employed with a monthly income of £3,200 and housing costs of £650. Mr P's credit commitments were calculated based on his credit file and an amount of £971 included. Having looked through Mr P's credit file I find this number reasonable. The purpose of the loan was recorded as debt consolidation. Based on the information gained, and noting the size of the repayments due on the loan, I accept that the loan appeared affordable for Mr P.

I have looked through Mr P's credit report from the time and this doesn't record any defaults, bankruptcies or county court judgments. He had other active accounts – loans, credit/store cards and current accounts - and these were up to date. However, Mr P had taken out two loans and two credit/store card accounts in the previous few months. He had also a record of several short term loans which, while they had been settled, could have suggested a reliance on debt. That said, as this new loan was noted for debt consolidation, Mr P's credit file showed he was up to date with his commitments, and the loan repayments appeared affordable, I do not find I have enough to say this loan shouldn't have been provided.

February 2020

The second loan was for the same amount as the first. Given the loan was provided around two months after the first loan, Mr P's income and housing costs remained the same. His credit commitments had increased with his monthly repayment costs recorded as around £1,038. Based on the information gathered I do not find I can say that the loan repayments appeared unaffordable.

Mr P's credit check showed that his outstanding debts had increased. He was exceeding his credit limit on one of his revolving credit accounts and had increased his balances on another to near its limit. He was also near his limit on one of his current account credit facilities. This, along with the timing of when the accounts had been taken out, I think should have raised concerns that Mr P had become reliant on the debt. As mentioned in regard to the first loan, Mr P had a history of using short term loans and while these were settled, I think they suggest a pattern of debt dependency.

The first loan was recorded as being for debt consolidation and as Mr P's credit commitments had increased, this doesn't appear to have happened. The purpose for this loan wasn't recorded. Taking all of the above into account, while I accept that Mr P's credit file didn't show issues in regard to his repayment history, I think it did show an ongoing and increasing dependency on debt. This was the second loan provided in a very short period further supporting the suggestion that Mr P wasn't in a stable financial position. Therefore, I do not think this loan should have been provided.

May 2020

Mr P's recorded income had reduced to £3,000 and his credit commitments remained around the same as noted in the previous loan application (around £1,030). Adding the Loans 2 Go loan repayments to his existing credit commitments would result in Mr P's repayments to credit commitments accounting for over 40% of his income.

Mr P's credit report showed his total outstanding balances had increased substantially since February 2020 and Mr P had taken out a further four loans (one had been settled). Mr P was still operating at his credit limits on his credit cards. Taking this all into account I think this suggested that Mr P had become dependent on debt and that Loans 2 Go shouldn't have provided him with any additional lending.

I note that Loans 2 Go accepted our investigator's view that this loan should be upheld, and I agree with this outcome.

October 2020

While Mr P's income was recorded as £3,300 at this time and his payments towards his credit commitments had reduced to around £808, I do not think that Mr P's financial situation had changed significantly to that noted in the above loans. He was continuing to take out new debt in the months between this loan and Mr P's previous Loans 2 Go loan and he remained at the limit on his credit cards and on a current account.

Based on Mr P's history showed in his credit report and noting this was his fourth Loans 2 Go loan in around 10 months, and given it appeared he might be reliant on debt, I do not think this loan should have been provided.

I note that Loans 2 Go accepted our investigator's view that this loan should be upheld, and I agree with this outcome.

In conclusion, I agree with our investigator that this complaint should be upheld in regard to the second, third and fourth loans provided in February, May and October 2020 respectively.

I've also considered whether Loans 2 Go acted unfairly or unreasonably in some other way given what Mr P has complained about, including whether its relationship with Mr P might have been viewed as unfair by a court under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr P in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

In regard to loans two, three and four provided in February, May and October 2020 respectively, Loans 2 Go should add up the total amount of money Mr P received as a result of having been given these loans. The repayments Mr P made should be deducted from this amount.

a) If this results in Mr P having paid more than he received, any overpayments should be refunded along with 8% simple interest* (calculated from the date the overpayments were made until the date of settlement).

b) If any capital balance remains outstanding, then Loans 2 Go should arrange an affordable and suitable payment plan with Mr P.

Loans 2 Go must remove any adverse information recorded on Mr P's credit file in relation to the loans, once they have been repaid.

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

My final decision

My final decision is that Loans 2 Go Limited trading as Loans 2 Go should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 9 May 2025.

Jane Archer
Ombudsman