

The complaint

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

What happened

Miss T took out a loan for £300 over 78 weeks from Loans 2 Go on 18 January 2019. The weekly repayments were £15.82.

She says Loans 2 Go did not perform sufficient checks at the time of her application, and therefore the loan was mis-sold.

Loans 2 Go says it carried out adequate checks that showed the loan would be affordable for Miss T.

Our investigator upheld Miss T's complaint. They said whilst the lender's checks were proportionate it did not make a fair lending decision based on the results.

Loans 2 Go disagreed and asked for an ombudsman's review. It said, in summary, Miss T's credit report showed she was managing all her active credit well, so it did not need to request bank statements or additional information before lending. It does not agree that the borrowing would have caused Miss T financial detriment, or that she would not have been able to maintain the repayments on her existing credit commitments due to this new loan.

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 approach to considering unaffordable and irresponsible lending complaints on our website including the key relevant rules, guidance and good industry practice. I've had this approach in mind when considering Miss T's complaint.

Loans 2 Go needed to take reasonable and proportionate steps to ensure that it didn't lend to Miss T irresponsibly. This means it should've carried out reasonable and proportionate checks to satisfy itself that Miss T could repay the loan in a sustainable way. These checks could take into account a number of things such as the loan amount, the repayment amount and Miss T's income and expenditure.

This means to decide this complaint I need to consider if Loans 2 Go's checks were proportionate; if so, did it make a fair lending decision; if not, what would proportionate checks most likely have shown; and finally, did Loans 2 Go act unfairly towards Miss T in some other way.

I've looked at the checks Loans 2 Go carried out. It asked for Miss T's income and verified this through one of the credit reference agencies. It also checked her declared living costs using national averages. It carried out a credit check to understand her credit history and existing credit commitments. It asked about the purpose which was home improvements.

From these checks combined it concluded Miss T had enough disposable income for this loan to be sustainably affordable.

I think these checks were proportionate, but I don't think Loans 2 Go made a fair decision based on the information it gathered. I'll explain why.

Miss T declared a net monthly income of £1,200. Loans 2 Go was able to verify an amount of £987.40 and so used this figure. It calculated her total outgoings to be £798.73 which gave her a monthly disposable income of approximately £125 after taking on this loan. I don't find £28 a week is sufficient for Loans 2 Go have conclude there was not a risk this loan could cause Miss T financial harm. She was on a low salary and so had little financial flexibility should unexpected or seasonal costs arise – as they would over an 18-month period. I note she was already at her overdraft limit – and this loan was not taken out to repay that. This means she would most likely continue to rely on it and in essence be borrowing from that facility to repay this additional credit.

It follows I find Loans 2 Go was wrong to lend to Miss T.

I carefully considered Loans 2 Go's response to the investigator's view but its comments do not marry with the findings. The lender explained why it did not need to review bank statements, but the investigator did not find further checks were needed, and nor have I. For the reasons set out above I cannot agree with its assertion that this loan would likely not cause Miss T financial harm.

Putting things right

It is reasonable that Miss T repay the capital she borrowed as she has had the benefit of that money. But she has paid interest and charges on a loan that should not have been given.

So Loans 2 Go will have to:

- Refund/remove all interest and charges and treat all repayments Miss T made as repayments of the capital.
- If this results in any overpayment this should be refunded to Miss T along with 8% simple interest (calculated from the date the overpayments were made to the date of settlement)*.
- If this results in there being an outstanding capital balance Loans 2 Go must agree an affordable repayment plan with Miss T.
- Remove any adverse information from Miss T's credit file once any outstanding capital balance has been repaid.

*If Loans 2 Go deducts tax from the interest element of this award, it should provide Miss T with the appropriate tax certificate so she can submit a claim to HMRC if applicable.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Miss T 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

I am upholding Miss T's complaint. Loans 2 Go Limited must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or

reject my decision before 6 August 2025.

Rebecca Connelley
Ombudsman