

The complaint

Mr H, through a representative, says Loans 2 Go irresponsibly lent to him.

What happened

Mr H took out an 18-month loan for £290 from Loans 2 Go on 11 November 2019. The monthly repayments were £66.28 and the total repayable was £1,193.04.

Mr H says adequate checks were not completed before he was given the loan. No comprehensive income verification or affordability assessments were conducted. He is now having financial difficulties as a result.

Loans 2 Go says it carried out proportionate checks that showed the loan would be affordable for Mr H.

Our investigator did not uphold Mr H's complaint. He found the lender's checks were proportionate for the low amount of credit involved. And they showed Mr H could afford the loan.

Mr H disagreed with this assessment and asked for an ombudsman's review. He said the checks were not sufficient given his circumstances. He already had multiple lines of credit. Loans 2 Go ought to have asked for bank statements, it was irresponsible to lend without better checks.

I reached a different conclusion to the investigator so I issued a provisional decision to allow both parties to comment. I asked both parties to provide any further comments or evidence by 6 May 2025.

Extract from my provisional decision

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

I think these checks were proportionate given the value of the loan and its monthly repayment relative to Mr H's verified income. In the circumstances I do not agree that Loans 2 Go ought to have reviewed bank statements as Mr H says. However, I do not think the lender made a fair lending decision based on the information it gathered. I'll explain why.

Loans 2 Go verified Mr H had a net monthly income of £1,795.56. It calculated his monthly outgoings to be £1,549.18 – made up of £684.73 for housing and living costs based on ONS data and credit commitments of £864.45. So whilst the loan seemed affordable for Mr H on pounds and pence basis I think there were signs loans 2 Go missed that the repayments

might not be sustainably affordable for Mr H.

I say this as its affordability assessment showed he was already spending 48% of his net income on his existing debt – a level that ought to have triggered concern that he would likely need to borrow to make these repayments, or suffer some other adverse financial consequence. In addition, the credit check showed he had £7,648 of debt that had defaulted and that he had yet to repay. He had two CCJs from 2016 that both remained unsatisfied. There were two relatively recent defaults from 2018 (a loan and a hire purchase agreement). In the round, I think it was clear Mr H had not yet recovered from previous financial difficulties and in this context I think it was irresponsible to give additional credit to Mr H, irrespective of its value.

It follows I think Loans 2 Go was wrong to lend to Mr H.

Neither party sent in any new information.

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. I have followed this approach here.

As neither party sent in any comments or new evidence for me to consider I have no reason to change the findings or outcome in the provisional decision.

For the reasons set out above I find Loans 2 Go was wrong to lend to Mr H.

Putting things right

I think it is fair and reasonable for Mr H to repay the capital amount that he borrowed, because he had the benefit of that lending. But he has been charged extra for lending that should not have been provided to him so Loans 2 Go needs to put that right. If it has sold the debt it should first try to buy it back. If that is not possible it should work with the new owner to achieve the same outcome as the steps set out below.

It should:

- Remove all interest, fees and charges from the loan and treat any payments Mr H made as payments towards the capital.
- If reworking Mr H's loan account results in him having effectively made payments above the original capital borrowed, then Loans 2 Go should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date of settlement*.
- If reworking Mr H's loan account results in there being an outstanding capital balance the lender must try to agree an affordable repayment plan with Mr H.
- Remove any adverse information recorded on Mr H's credit file in relation to the loan once any outstanding balance has been repaid.

*HM Revenue & Customs requires Loans 2 Go to deduct tax from this interest. Loans 2 Go should give Mr H a certificate showing how much tax it's deducted, if he asks for one.

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 Mr H 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.

My final decision

I am upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 4 June 2025.

Rebecca Connelley
Ombudsman