

The complaint

Mr B complains that Loans 2 Go Limited (L2G) acted irresponsibly by agreeing to three loans as he said he couldn't sustain the repayments.

What happened

Mr B entered into a Fixed Sum loan agreement with L2G in January 2019 for £750. After interest and charges were applied Mr B needed to repay £3,085.68, repayable over 78 weeks at £39.56. Mr B settled this account in June 2019. In July 2019 Mr B entered into another Fixed Sum loan agreement with L2G for £1,000. After interest and charges were applied Mr B needed to repay £4,113.72, repayable over 78 weeks at £52.74 a week. Mr B settled this account in October 2019. Later the same month Mr B entered into a further Fixed Sum loan agreement with L2G for £1,000. After interest and charges were applied Mr B needed to repay £4,113.72 over 78 weeks, repayable at £52.74 a week. Mr B said he struggled to sustain the repayments from the first loan being agreed. He complained to L2G as he said they should have seen the lending wasn't affordable for him.

L2G said their checks were proportionate and reasonable. They used application, credit bureau and statistical data to assess Mr B's credit worthiness for all three loans. Based on these checks Mr B should have had sufficient disposable income to sustain the repayments without any financial detriment. They said their lending decisions had been fair.

Mr B wasn't happy with L2G's response and referred his complaint to us.

Our investigator said L2G's checks for the first loan were reasonable and proportionate. But they should have done more for the other two loans as Mr B showed clear signs of financial vulnerability. And if they had they would have seen Mr B couldn't sustain the repayments. Our investigator said to put things right L2G needed to:

Add up the total repayments Mr B has made and deduct these from the total amount of money he received.

- a) If this results in Mr B 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). And remove all adverse information regarding this account from Mr B's credit file.
- b) If any capital balance remains outstanding, then L2G should arrange an affordable and suitable payment plan with Mr B. Once he has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

As L2G has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

L2G disagreed. They said Mr B had settled the first and second loan early, and any payment issues weren't caused by financial difficulty but a contractual payment date issue. They asked for an ombudsman to decide.

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.

Having done I've reached the same outcome as our investigator so I'm upholding this complaint. I'll explain why.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've taken that approach into account in considering Mr B's complaint.

The rules and regulations when L2G lent to Mr B required them to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check.

This means before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, but they need to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances. As a lending relationship continues over time and the level of credit increases, lenders may need to obtain further information from a borrower to check whether they're lending responsibly and that the repayments are sustainable for the customer.

The checks also need to be borrower focused. So L2G had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Mr B. In other words, it wasn't enough for L2G to simply think about the likelihood of them getting their money back, they had to consider the impact of the loan repayments on Mr B.

Loan One January 2019 - £750

I can see L2G asked for some information from Mr B before they approved the loan. I can see they considered his application data, used credit reference agencies (CRA) to verify his declared income and to understand his existing monthly credit commitments. And used statistical data to determine Mr B's other non-discretionary expenditure. The checks did show Mr B had previous financial difficulties as there was evidence he'd defaulted on credit accounts before, but this had been 14 months prior to the new lending. From these checks L2G concluded Mr B had enough disposable income for the loan to be affordable. And that there weren't any signs of recent financial vulnerability.

Information like a default on someone's credit file may often mean they're not granted further credit but it doesn't automatically mean that a lender won't offer borrowing. L2G considered the information that Mr B had on his credit file and still made a decision to lend which, in the circumstances, I think was reasonable as the data showed that the defaults were historic.

I can see from Mr B's application he declared a monthly income of £1,875, and non-discretionary expenditure of £627 which would have left Mr B with a disposable income of £1,248. Given Mr B was only looking to borrow £750 and the interest rate applied to this loan was 1276.2%, I think shows Mr B's financial situation most likely wasn't as he'd declared on his application.

But given the size and term of the loan and the cost of the monthly repayments relative to Mr B's declared income I think the checks L2G did were proportionate. And I don't think L2G acted unfairly in agreeing to lend to him.

Loan Two July 2019 - £1,000

Mr B applied for another loan in July 2019 for £1,000. The interest applied was 1275.7% which meant the total amount repayable over the full term of the 78 week agreement was £4,113.72.

L2G again asked for some information from Mr B before they agreed to the loan. I can see they considered his application data, used a CRA to verify his income and to understand his existing monthly credit commitments and credit history. And statistical data to determine his other monthly income and expenditure. Mr B declared he'd a monthly income of £2,067 and outgoings of £627, leaving him with a disposable income of £1,440. And L2G's CRA check didn't highlight any concerns or signs of financial vulnerability.

But L2G also had information about how Mr B had managed his first loan he'd with them. As outlined above any lending should be borrower focussed. I can see from L2G's account notes that Mr B struggled to meet his weekly repayment from the first payment.

I've considered L2G's comments that this was an issue with the date the repayment was being taken. But from the first payment Mr B was made aware that his contractual date couldn't be changed. His records show he was consistently missing his payment date. And I can see at one point he was three weeks in arrears and unable to meet this payment in full offering a reduced amount. I think this showed Mr B was struggling to meet a weekly commitment of £39.56.

L2G also said Mr B settled his first loan early. I've again considered L2G's comments. But while Mr B did pay his agreement early by 19 June 2019, I can see he applied for a further loan for an amount similar to the settlement figure in mid-July 2019. Which I think shows Mr B's reliance on credit to meet his financial needs.

So, based on the checks and information available to L2G I think it was irresponsible of them to agree to a further loan that increased Mr B's weekly commitment to £52.74. I say this as if Mr B couldn't sustain a weekly repayment of £39.56, it was most likely he'd struggle sustain the higher amount. And while Mr B had paid the balance early he'd had to seek further credit within a short timeframe to meet his commitments.

Loan Three October 2019 - £1,000

Mr B applied for another loan in October 2019 for £1,000. The interest applied was 1275.7% which meant the total amount repayable over the full term of the 78 week agreement was £4,113.72.

L2G did the same checks as they had done previously. I've again considered the information L2G had about how Mr B managed his accounts he'd with them. I can see that for Loan Two Mr B showed a similar pattern as he had with his first loan. He missed a payment and requested early settlement. He does settle the account early by making a payment of £1,036.13 on 10 October 2019, only to apply for a loan of £1,000 under two weeks later. I think this shows Mr B was in a pattern of borrowing to pay borrowing. So I think L2G acted irresponsibly by agreeing to lend to Mr B a third time. And this is supported as I can see that Mr B struggled from the start of Loan Three to meet his commitments, he didn't make any repayments and the loan was sold on for collection.

I've also considered whether L2G acted unfairly or unreasonably in some other way given what Mr B has complained about, including whether their relationship with him might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But I'm satisfied the redress I've directed below results in fair compensation for Mr B 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

To put things right we'd usually ask a business to put a consumer back into the position they were in before the business did something wrong. But in cases of irresponsible lending this isn't possible given Mr B has had the benefit of the monies lent to him by L2G. So, I think it's only right he should pay this back. But as I don't think L2G should have lent Loans Two and Three to him Mr B shouldn't have to pay for any interest and charges that L2G has applied.

My final decision

I uphold this complaint. And ask Loans 2 Go Limited to:

- Rework Loans Two and Three removing all interest and charges that have been applied. Deduct any payments made by Mr B for these loans from the remaining amount.
 - a) If Mr B has paid more than this amount any overpaid balance should be refunded to him plus *8% simple interest (calculated from the date the overpayments were made until the date of settlement). And remove any adverse information about Loans Two and Three from Mr B's credit file.
 - b) If Mr B hasn't paid enough to settle the capital balance L2G should work with him to agree an affordable repayment plan. And once any remaining balance has been settled remove any adverse information about Loans Two and Three from Mr B's credit file.

As Loans 2 Go Limited has sold the debt to a third party, they should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*His Majesty's Revenue & Customs requires Loans 2 Go Limited to deduct tax from any award of interest. It must give Mr B a certificate showing how much tax has been taken off if he asks for one. If they intend to apply the refund to reduce an outstanding balance, they must do so after deducting the tax. after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 22 July 2025.

Anne Scarr
Ombudsman