

## The complaint

Mr G complains that Loans 2 Go Limited was irresponsible in its lending to him. He wants the interest and charges applied to his loans refunded.

## What happened

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

Loan	Date	Amount	Term	Monthly repayments
1	July 2019	£250	18 months	£57.14
2	October 2019	£1,000	18 months	£228.56

Mr G said the loans weren't affordable for him. He explained he had a poor credit history and other loans outstanding at the time. He said the loans put him in a worse financial situation resulting in him needing to borrow more to make his repayments.

Loans 2 Go issued a final response letter dated 22 October 2024, not upholding Mr G's complaint. It said that when processing loan applications, it undertook a series of checks to determine whether the personal and financial information provided by the applicant was accurate and reliable. It said it used credit data information to verify Mr G's income and to assess his external credit commitments as well as third party data to estimate Mr G's expenses. It said that based on its checks the loans were affordable for Mr G.

Loans 2 Go said that the interest rate charged on the loans was in line with the terms and conditions and that Mr G was provided with information about the cost of the loans and repayments before signing the agreements. It explained the support it had provided when Mr G contacted it about his financial difficulties.

Mr G responded to Loans 2 Go's final response outlining the credit commitments he had outstanding at the time of his applications. Loans 2 Go explained that it wasn't unusual for applicants to have a credit history showing other borrowings or even an impaired credit record and these issues wouldn't necessarily be reasons for it to decline a loan. It reiterated that its checks showed the loans to be affordable. Loans 2 Go also noted that the outstanding balance of £1,900.72 on Mr G's second loan was written off as part of its legacy closure incentives for historical accounts and as a gesture of goodwill.

Mr G referred his complaint to this service.

Our investigator upheld this complaint. He thought that Loans 2 Go carried out proportionate checks before the loans were provided but that these checks suggested Mr G was in financial difficulty. Therefore, he didn't think that Loans 2 Go had acted fairly by providing the loans.

Loans 2 Go didn't agree with our investigator's view. It said the credit check carried out before the first loan was provided showed that Mr G was up to date with his payments on his active accounts and within his credit limits aside from one account where he was £6 over the credit limit. Regarding loan two, Loans 2 Go said that Mr G was up to date with his payments on his active accounts and within his credit limits aside from one account where he was £5 over the credit limit. It said the credit checks showed Mr G was able to manage his existing credit commitments and that, as a subprime lender, it lent to customers who might not have a good credit score if the customer demonstrated stability and was able to sustainably meet the repayments.

As 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 credit worthiness. But, while it is down to a firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the amount and type of credit being provided, the length of the term, the amount and frequency of the repayments and the total cost of the credit.

Mr G was provided with two loans, and I have considered each lending decision below.

#### *Loan 1: July 2019*

Mr G was provided with a £250 loan in July 2019 with monthly repayments of £57.14. He said the purpose of the loan was debt consolidation. Before the loan was provided, Loans 2 Go gathered information about Mr G's employment, income and expenses and checked his income using credit reference agency data. A credit check was also undertaken. Mr G said he was employed with a monthly income of £3,000 and paid in cash. Loans 2 Go's income checks identified Mr G as having a minimum monthly income of around £1,448.

Given the size and term of the loan and noting the size of the repayments compared to Mr G's verified income, I find the checks carried out were proportionate. However just because I think the checks were proportionate, it doesn't necessarily mean that the loan was responsibly lent. To assess that I have considered the information Loans 2 Go received from its checks to decide whether this should have raised concerns about the lending.

Mr G's credit report showed he had around £4,982 of unsecured debt at the time of the application. This was made up of two loans and five credit card account balances. While I note Loans 2 Go's comment that Mr G's accounts were up to date, I think it should have been concerned that Mr G had taken out four of the accounts within around three months of making the Loans 2 Go application. The balance on these accounts totalled around £3,058 showing a notable increase in Mr G's borrowing at that time. The credit card accounts were all being utilised with one being over its limit.

Mr G had a history of financial difficulties with his credit report showing several defaulted accounts and accounts in arrears in 2017 and early 2018. While I accept these issues were historic, I think, given his history it was important to be confident that Mr G was in a stable

financial situation before lending. And in this case, given the increase in the debt he was taking on shortly before this application, I think this should have raised concerns that Mr G wasn't in a stable financial position.

I note the reason for the loan was debt consolidation, but I do not find this is enough to say the lending was responsible noting the pattern that was emerging suggesting Mr G's increasing reliance on debt.

So, for the reasons set out above, I think that the checks carried out should have raised concerns about Mr G's financial stability and therefore I do not think the loan should have been provided.

#### *Loan 2: October 2019*

Mr G settled loan one early and then took out a second loan with Loans 2 Go in October 2019. This loan was for £1,000 with monthly repayments of £228.56. Mr G's account history from loan one didn't raise any concerns. Mr G said the loan was for debt consolidation and noting this was the purpose of loan one which was provided around three months earlier, I think this could have raised concerns that Mr G had entered a cycle of taking out new debt to repay existing debt.

As with the previous loan, before providing loan two, Loans 2 Go gathered information about Mr G's employment, income and expenses and checked his income using credit reference agency data. A credit check was also undertaken. Mr G said he was employed with a monthly income of £3,700 and paid in cash. Loans 2 Go's income checks identified Mr G as having a minimum monthly income of around £1,773. Again, I find these checks were proportionate given the size and term of the loan and the size of the repayments.

I have then considered the information gained through the checks to see if these should have raised concerns. Mr G's credit report showed that Mr G had taken out five new credit agreements within six months of this application (not including the first Loans 2 Go loan). These include a short-term loan taken out in July 2019. Mr G was utilising most of his credit limit on four of his credit cards and was over the limit on another credit card. He had recently missed a payment on one of his accounts. So, while I accept Mr G's credit accounts were up to date, I think his credit report showed signs that he was becoming dependent on debt. As noted above, Mr G had a history of financial difficulties and having considered his more recent credit data, especially the new credit agreements he had taken on, I think this should have raised concerns that he wasn't in a stable financial position. Therefore, I do not think that this loan should have been provided.

I've also considered whether Loans 2 Go acted unfairly or unreasonably in some other way given what Mr G has complained about, including whether its relationship with him 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 G 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.

I am sorry to hear about the impact this borrowing had on Mr G's personal life and mental health. However, as Loans 2 Go weren't aware of any health concerns or gambling issues at the time of the application, they can't be held responsible for making a decision to lend without considering the impact this may have had.

#### **Putting things right**

As I don't think Loans 2 Go ought to have opened either loan account, I don't think it's fair for

it to be able to charge any interest or charges under the credit agreements. But I think Mr G should pay back the amounts he has borrowed. I note that Mr G's second loan was written off but also that the total amount he has paid exceeds the amount he borrowed.

Therefore, Loans 2 Go should add up the total repayments Mr G has made and deduct these from the total amount of money Mr G received. As this will result in Mr G 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). Loans 2 Go should also remove all adverse information regarding this account from Mr G's credit file.

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

### **My final decision**

My final decision is that I uphold this complaint. Loans 2 Go Limited 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 G to accept or reject my decision before 18 July 2025.

Jane Archer  
**Ombudsman**