

## **The complaint**

Mr B complains that Loans 2 Go Limited (“L2G”) acted irresponsibly in providing him with a personal loan because it was unaffordable for him.

For ease, I’ll refer to Mr B when referring to him or his representative.

## **What happened**

Mr B took out a personal loan with L2G on 12 October 2019. The amount borrowed was £1,000. The loan term was 18 months, with monthly repayments of £228 and a total repayable of £4,114.

In September 2024, Mr B complained that L2G had been irresponsible in lending to him. He said that the loan had been unaffordable for him, and he didn’t think that L2G had completed thorough checks of his income and expenditure.

In its final response, L2G explained how it assessed Mr B’s affordability and said it thought it had acted fairly and reasonably. Mr B wasn’t happy with L2G’s final response and referred the complaint to our service.

One of our Investigators considered the complaint and upheld it. This outcome was endorsed by a reviewing investigator.

L2G disagreed with our Investigator’s opinion, so the complaint comes to me 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.

I’m aware that I’ve summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I’ve focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there’s something I’ve not mentioned, it isn’t because I’ve ignored it. I haven’t. I’m satisfied I don’t need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I’ve got is incomplete, unclear or contradictory, I’ve to base my decision on the balance of probabilities.

L2G will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr B's complaint. Having looked at everything I've reached the same conclusion as that of our investigator and for broadly the same reasons. So I uphold Mr B's complaint and I've explained why below.

### *L2G's decision to grant Mr B a £1,000 loan in October 2019*

L2G needed to make sure that it didn't lend irresponsibly. In practice, what this means is L2G needed to carry out proportionate checks to be able to understand whether Mr B could afford to repay the loan he had applied for before granting it.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

I'd also expect lenders to take notice of any adverse credit information when taking into consideration whether to lend or not and to be aware of what could indicate signs of financial difficulty such as an over-reliance on hardcore borrowing such as overdrafts and pay-day loans.

L2G explained that before it lent, it considered the information Mr B had provided in his application, and information from a credit reference agency (CRA).

In his application, Mr B declared that his income was £1,250 a month and that he had total monthly expenditure of £250 a month, including other credit commitments. With Mr B's relatively low income and what I consider to be a very conservative declaration of expenditure, on paper this would have given Mr B a disposable income of £1,000 in which to afford the new monthly loan repayments of £228.

L2G explained that it used national statistical information to assess Mr B's income and expenditure and assessed his overall expenditure to be more in the region of £873 a month and would therefore leave Mr B with a total monthly disposable income of £125 and this included the new monthly loan repayments of £228. L2G considered that this made the loan affordable although I'm not persuaded it was as £125 is not a lot each month to cover everyday emergencies.

L2G has provided a copy of the information it received from the CRA. This shows that Mr B was two months in arrears on a mail order account with a relatively small outstanding balance when he applied for the loan. He had also taken out a number of high-cost short term credit throughout 2019. Mr B's credit score with this particular CRA was very poor, indicating a high risk for lenders and suggested potential financial difficulties. Whilst I appreciate that L2G are a second chance lender, offering credit to consumers who may not be able to get credit elsewhere due to a poor credit rating, it still had an overarching responsibility to ensure that loans provided are both affordable and sustainable going forward.

So I'm not satisfied that further proportionate checks were even necessary as there were already clear signs of concern at the point of application, which indicated financial difficulty

and which should have prompted L2G to question whether this loan was either affordable or sustainable. Mr B stated the loan was for debt consolidation but I'm not convinced it would have made a significant impact on his overall debt, given the fact he still owed over £10,000 on a loan from a different provider he already had and he had also defaulted on this account four months prior to this application.

It's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. But given the relatively low income of Mr B, the small amount of disposable income left over each month, together with what appeared to be evidence of financial difficulty in the over reliance on hard core borrowing and an account in arrears before the loan was advanced, I'm satisfied that L2G shouldn't have lent to Mr B. On balance, I don't think the loan was either affordable or sustainable going forward. For these reasons I uphold this complaint against L2G.

*Did L2G act unfairly in any other way?*

I've also considered whether L2G acted unfairly or unreasonably in any other way, including whether the relationship between Mr B and L2G might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied that what I direct below results in fair compensation for Mr B given the overall circumstances of his complaint. I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

### **Putting things right**

As I consider Loans 2 go Limited treated Mr B unfairly, it needs to take steps to rectify matters from the initial granting of the loan in October 2019.

When we consider a consumer shouldn't have been given credit, our usual approach is to ask the business to refund the interest and charges added to the borrowing that shouldn't have been given. So for this complaint, this means removing all interest and charges applied since the loan was approved in October 2019.

To put things right Loans 2 Go Limited need to:

- Rework the account removing all interest, fees and charges.
- If the rework results in a credit balance, this should be refunded to Mr B along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. Loans 2 Go Limited should also remove all adverse information recorded after October 2019 regarding this account from Mr B's credit file, or
- Alternatively, if after the rework there is still an outstanding balance, Loans 2 Go should arrange an affordable repayment plan with Mr B for the remaining amount. Once this outstanding balance has been cleared, any adverse information in relation to this account should be removed from Mr B's credit file.

\*If HM 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 it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

**My final decision**

My final decision is I uphold this complaint and Loans 2 go Limited must compensate Mr B in line with what I've directed under the heading 'putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 16 October 2025.

Paul Hamber  
**Ombudsman**