

The complaint

Ms J says Loans 2 Go Limited irresponsibly lent to her.

What happened

Ms J took out an 18-month instalment loan for £250 from Loans 2 Go on 8 August 2024. The monthly repayments were £48.89 and the total repayable was £880.02.

Ms J says she had taken out four or five (maybe more) payday loans in a six-month period. It should have been clear to any responsible lender that she was financially vulnerable having taken out so many loans (as well as being at the limit on her credit cards).

Loans 2 Go says it completed proportionate checks that showed the loan would be affordable for Ms J.

Our investigator did not uphold Ms J's complaint. She said the checks were reasonable and showed Ms J would be able to sustainably repay the loan.

Ms J disagreed and asked for an ombudsman's review. She said, in summary, we say there are no set checks for a lender to complete – but maybe there should be. She asked how her declared expenses were verified. Finally, as she had taken many payday loans recently and had credit cards at their limit it was unfair to lend to her after minimal checks. The loan may have been low value but she had to pay back way more.

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.

First to clarify our role - Ms J suggested there should be a set list of checks lenders must carry out, but it is not within this service's remit to regulate the conduct of lenders. We are not the regulator and cannot consider systemic issues or change industry regulations or guidance. The regulator is the Financial Conduct Authority (FCA). Our remit is to consider the merits of individual complaints - taking into account the relevant regulations as they exist at time of the event complained about - and if we find a firm has acted in error, to decide how it must put things right.

Our approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

The rules and regulations when Loans 2 Go lent to Ms J required it to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check.

The checks also had to be borrower-focused. So Loans 2 Go had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for

Ms J. In other words, it wasn't enough for Loans 2 Go to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Ms J. Checks also had to be proportionate to the specific circumstances of each loan application. In general, what makes up a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount, type and cost of credit they have applied for.

In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the longer the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether Loans 2 Go did what it needed to before agreeing to lend to Ms J. So to reach my conclusion I have considered the following questions:

- did Loans 2 Go complete reasonable and proportionate checks when assessing Ms J's loan application to satisfy itself that she would be able to repay the loan in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did Loans 2 Go make a fair lending decision?
- did Loans 2 Go act unfairly or unreasonably in some other way?

I can see Loans 2 Go asked for some information from Miss K before it approved the loan. It asked for her monthly income and expenditure. It verified her declared income through an online verification tool provided by one of the credit reference agencies and reduced it slightly. It reviewed her declared expenditure to ensure it was reasonable based on national statistics and her demographic. It then used the figures she had provided as they were higher. It checked Miss K's credit file to understand her existing monthly credit commitments and credit history. From these checks combined Loans 2 Go concluded Miss K had enough monthly disposable income for the loan to be affordable.

I think these checks were proportionate given the term and value of the loan, the value of the monthly repayment relative to Ms J's income and the stage in the lending relationship. And I think Loans 2 Go made a fair lending decision based on the information it gathered. I'll explain why.

Ms J declared a net monthly income of £2,550 and Loans 2 Go was able to verify it to be £2,528.98. She declared housing, living and credit expenses of £2,225. This was higher than Loans 2 Go's checks based on the credit check it completed and national statistics. So it used Ms J's figures. This meant it understood she would have a monthly disposable income of £303.98 and so could afford to take on this £48.89 loan repayment. I think it was therefore reasonable for Loans 2 Go to conclude Ms J could afford the loan on a pounds and pence basis.

It also had to check her creditworthiness however, and be sure that taking on the loan would not cause Ms J any financial harm. The credit check showed Ms J had debt of £3,146 and was up to date on all her active accounts. One had been one month in arrears recently, but Ms J had corrected that. She was near her credit card limits on two accounts but they were relatively low limits given her income level. There was no evidence of the history of using payday loans repeatedly that Ms J describes. This could be as not all lenders report to all the agencies, but I can only fairly expect Loans 2 Go to respond to the results its credit check returned. There was some historic adverse data on the file as Ms J had defaulted on five accounts in late 2018. Given that was six years ago it was reasonable for Loans 2 Go to conclude that Ms J's finances had since stabilised.

It follows I find it was fair for Loans 2 Go to lend to Ms J. To be clear, I don't doubt her testimony that she was struggling financially already but this was not evident from the lender's proportionate checks. And it would not have been reasonable for it to have carried out a fuller financial review given the nature of the loan. Ms J flagged that whilst the capital borrowed was relatively low she had to repay much more – but even if she had applied for a loan of £880, I would have found these checks to be proportionate in the circumstances.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Loans 2 Go lent irresponsibly to Ms J or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

Finally, I am sorry Ms J went on to struggle financially. I hope she now has the support she needs – StepChange (tel: 0330 055 2198) can provide free debt management assistance if not. If an outstanding balance remains on the loan I would urge Ms J to contact Loans 2 Go to discuss an affordable repayment plan. I would remind Loans 2 Go to treat Ms J fairly and with forbearance.

My final decision

I am not upholding Ms J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 12 October 2025.

Rebecca Connelley
Ombudsman