DRN-5656434

**The complaint**

Ms K complains Loans 2 Go Limited (L2G) acted irresponsibly by approving her for lending which was unaffordable. Ms K also complains the interest rate L2G charged her was grossly excessive.

Ms K is represented in this complaint by Mr M but, for ease, I'll refer to Ms K directly throughout my decision.

**What happened**

In February 2022, Ms K applied for loan with L2G (loan 1). Loan 1 was for £250 and required her to make 18 monthly repayments of £51.39.

In October 2022, Ms K took out a new loan (loan 2) for £384.36, repaying the loan 1 in the process. Loan 2 required her to make 18 monthly repayments of £79.01. Ms K took out a third loan (loan 3) in April 2023 for £508.77 which required her to make 18 monthly repayments of £104.58. Again, the funds from loan 3 paid off loan 2.

In November 2023, Ms K failed to meet her monthly repayment. In March 2024, after her account situation had worsened, L2G sold the debt to a third party.

In July 2024, Ms K complained to L2G that by not having looked properly at her situation and bad credit record, they'd approved credit for her which was unaffordable.

L2G sent Ms K their final response later that month, but they didn't uphold her complaint.

In summary, L2G said based on the checks they'd undertaken and on the information gathered, they'd determined Ms K had enough disposable income to afford the contractual repayments. Regarding the interest rate charged, L2G said the rate had been set out in the terms and conditions for each agreement which had been provided to her prior to the loans being taken out.

Ms K disagreed with L2G's response, so she referred her complaint to our service.

One of our Investigators looked into things and thought the checks L2G carried out prior to approving all three loans for Ms K were proportionate. Our Investigator thought L2G's checks showed Ms K had enough disposable income to afford the monthly repayments for loans 2 and 3 so she didn't think they needed to do anything to put things right here.

But she didn't think L2G made a fair lending decision based on the disposable income they'd calculated in relation to loan 1, so she thought this part of Ms K's loan should be upheld.

Regarding the interest rate L2G charged on all three loans, our Investigator said Ms K had actively engaged in the application process and based on the pre-contract information and the loan agreements, she thought L2G had made the rate clear prior to Ms K proceeding.

L2G disagreed with our Investigators outcome regarding loan 1 saying, in their opinion, the results of the checks they completed at the time showed Ms K was left with enough disposable income for the lending to be considered affordable. Because our Investigators opinion remained unchanged, L2G ask for an Ombudsman to make a decision.

Ms K accepted our Investigators outcome and said she'd wait for an Ombudsman to decide with regards to loan 1.

Because no resolution could be reached regarding loan 1, this case has been passed to me to decide. As both parties have accepted our Investigators outcome for loans 2 and 3, I'm not going to comment on either loan further in my decision. Instead, my decision will focus on loan 1 – it's loan 1 that remains in dispute here

I sent both Ms K and L2G my provisional decision on 13 June 2025. I explained I'd reached a different outcome to that of our Investigator. In my provisional decision I said:

*'How we handle complaints about irresponsible and unaffordable lending is explained on our website. It's this approach I've used when deciding Ms K's complaint. L2G needed to ensure that they didn't lend irresponsibly, which in practice means they needed to carry out proportionate checks to be able to understand whether any lending was affordable for her before agreeing to provide the credit.*

*The rules that apply to credit agreements are set out in the FCA's consumer credit sourcebook (CONC). Section 5.2A of CONC is relevant here, as – among other things – it talks about the need for businesses like L2G to complete reasonable and proportionate creditworthiness assessments before agreeing to lend someone money.*

*I've considered these rules by asking the following questions:*

- *Did L2G complete reasonable and proportionate checks to satisfy themselves Ms K would be able to meet the repayments of the borrowing without experiencing significant adverse impact on her financial situation?*

  - *If they did, was their decision to lend to Ms K fair?*

- *Did L2G act unfairly or unreasonably in any other way?*

*<u>Did L2G complete reasonable and proportionate affordability checks</u>*

*What's considered reasonable and proportionate in terms of the checks a business undertakes will vary depending on the details of the borrowing and the consumer's specific circumstances at the time.*

*For loan 1, L2G agreed to lend Ms K £250. The lending was to be repaid over 18 months, with monthly repayments of £51.39. So here, while I think neither the amount L2G lent to Ms K, nor the amount they asked her to repay each month were overly substantial, the agreement was to run for 18 months. So, to satisfy themselves the lending was both affordable and sustainable for Ms K, I would expect L2G to have gained good understanding of her circumstances at the time.*

*At the time of her application, Ms K declared her monthly income as being £1,600 and that she had no dependents at the time. She also declared she was paying around £300 a month toward rent payments, around £133 a month towards groceries, around £30 a month towards utilities, around £96 a month towards transport costs and £114 a month towards exisiting credit commitments.*

*L2G completed a CRA check to verify Ms K's net monthly income as being around £1,185.*

*They then took the lower verified income figure when going on to assess Ms K's affordability.*

*L2G also used statistical data to help them get a better understanding of expenditure for people similar to Ms K, estimating outgoings towards rent to be around £481 a month and a combined amount of around £378.50 towards other expenses such as groceries, utilities and transport.*

*As the statistical data returned higher figures than those declared by Ms K, L2G used these estimated expenses when assessing Ms K's affordability.*

*In addition to the information Ms K declared and the use of statistical data, L2G also completed a credit check to help them understand how she managed both her current and existing finances.*

*The check showed LG2 Ms K held two bank accounts and a communications account, all of which were well maintained. L2G saw no evidence Ms K had been in any arrears for at least the two years prior, nor did they see any evidence she had County Court Judgements or defaults against her.*

*Finally, while L2G saw no evidence Ms K held any existing credit commitments at the time, they used her declared expenditure of £114 when calculating her disposable income.*

*So, in summary, I wouldn't expect L2G to do more in the circumstance's given the credit check result showed them Ms K's finances were managed well.*

*L2G verified Ms K's income and took into consideration the highest figure when comparing both her declared commitments and statistical data, before making a lending decision.*

*Overall, I think L2G completed reasonable and proportionate checks and from all the evidence and information they gathered, I'm satisfied what they saw allowed them to fairly assess if the agreement was affordable and sustainable for Ms K.*

*But this doesn't automatically mean L2G went on to make a fair lending decision – it's this I'll go on to look at next.*

*<u>Did L2G make a fair lending decision?</u>*

*L2G verified Ms K's net monthly income and while they found the figure was lower than that declared by her at the time of the application, it was the lower figure they used when going on to assess her affordability for the lending.*

*In addition, when calculating Ms K's disposable income, L2G used a combination of her declared existing credit commitments alongside statistical expenditure data for things like rent, food, utilities and transport costs – all of which were higher than the figures declared by Ms K for those same expenses.*

*After doing this, L2G found Ms K had a monthly expenditure of around £973.50, which left her a disposable monthly income of around £210. After allowing for the repayment towards loan 1, L2G calculated Ms K would have a disposable monthly income of around £160.*

*I understand our Investigator said she didn't think that amount was sufficient for L2G to have decided the lending was affordable – but I disagree.*

*Here, L2G had used statistical data in places which totalled around £300 more a month than the equivalent expenses declared by Ms K. Ms K had also declared she had no dependants.*

*So I'm satisfied what was essentially a very conservative disposable income figure L2G calculated of £160 a month after the lending repayment was taken into account, was sufficient for them to have determined the lending was both affordable and sustainable.*

*In summary, as I've said, I'm satisfied L2G's checks were reasonable and proportionate. And I'm also satisfied they made a fair lending decision based on the outcome of those checks so I'm not upholding this complaint.*

*<u>Did L2G act unfairly or unreasonably in some other way?</u>*

*I've also considered whether L2G acted unfairly or unreasonably in some other way given what Ms K has complained about, including whether it's relationship with her might have been unfair under s.140A Consumer Credit Act 1974.*

*I understand Ms K faced financial difficulties towards throughout the time she held the loans, culminating in L2G selling the debt relating to loan 3 to a third party.*

*From the evidence I've seen, once made aware of her financial difficulties, L2G offered Ms K forbearance options, and she was allowed a repayment holiday prior to the debt being sold when a resolution could not be reached. So, from what I've seen, I've not seen anything to suggest L2G treated Ms K unfairly or unreasonably in any other way.*

*I've also considered the interest charged by L2G. What I need to consider is if L2G were clear and transparent in the information they provided to Ms K.*

*I can see the rate was set out clearly in the documents signed by Ms K both prior to and when taking out the loans. So while the rate charged was clearly high, I can't say L2G have done anything wrong here.*

*So, in summary, for the reasons I've set out above, I've not seen anything that makes me think L2G acted unfairly.'*

Ms K didn't respond to my provision decision. L2G responded to confirm they accept my provisional decision and had nothing further to add.

## 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.

As neither party provided anything further for me to consider following my provisional decision, I've seen no reason to reach a different outcome to the one I reached previously.

## My final decision

For the reasons set out above in my provisional decision, my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 28 July 2025.

Sean Pyke-Milne
**Ombudsman**