

The complaint

Mr H, through a representative, says Loans 2 Go Limited irresponsibly lent to him.

What happened

Mr H took out a loan for £300 over 18 months from Loans 2 Go on 6 March 2024. The weekly repayments were £61.67.

He says Loans 2 Go did not do enough checks at the time of his application, and should have done more prior to lending.

Loans 2 Go says it carried out adequate checks that showed the loan would be affordable for Mr H.

Our investigator upheld Mr H's complaint. She said the lender's checks were proportionate, but it did not make a fair lending decision based on the results as its checks showed Mr H would be left with a monthly disposable income of only £88 which was not reasonable.

Loans 2 Go disagreed and asked for an ombudsman's review. It said Mr H was up to date with payments on all active credit commitments. He was able to manage his finances and repay the borrowings and had no CCJs, IVAs or bankruptcy on his credit file.

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.

We've set out our approach to considering unaffordable and irresponsible lending complaints on our website including the key relevant rules, guidance and good industry practice. I've had this approach in mind when considering Mr H's complaint.

Loans 2 Go needed to take reasonable and proportionate steps to ensure that it didn't lend to Mr H irresponsibly. This means it should've carried out reasonable and proportionate checks to satisfy itself that Mr H could repay the loan in a sustainable way. These checks could take into account a number of things such as the loan amount, the repayment amount and Mr H's income and expenditure.

This means to decide this complaint I need to consider if Loans 2 Go's checks were proportionate; if so, did it make a fair lending decision; if not, what would proportionate checks most likely have shown; and finally, did Loans 2 Go act unfairly towards Mr H in some other way.

I've looked at the checks Loans 2 Go carried out. It asked for Mr H's income and verified this through one of the credit reference agencies. It sense checked his declared living and housing costs using national averages and increased his living costs. It carried out a credit check to understand his credit history and existing credit commitments. From these checks combined it concluded Mr H had enough disposable income for this loan to be sustainably

affordable.

I think these checks were proportionate given the value and term of the loan, but I don't think Loans 2 Go made a fair decision based on the information it gathered. I'll explain why.

Mr H declared a net monthly income of £881. Loans 2 Go was able to verify an amount of £854 and so used this figure. It calculated his total outgoings to be £704 which gave Mr H a monthly disposable income of £88.33 after taking on this loan. I don't find approximately £20 a week is sufficient for Loans 2 Go to have concluded there was not a risk this loan could cause Mr H financial harm.

He was on a relatively low salary and so had little financial flexibility should unexpected or seasonal costs arise – as they would over an 18-month period. The credit check showed he was already using his overdraft and was only £1 under his limit suggesting financial strain. Loans 2 Go did not know if this loan was taken out to repay any of that debt. This means he would most likely continue to rely on it and in essence be borrowing from that facility to repay this additional credit.

In these circumstances I cannot agree it was reasonable to leave him with only £88 of disposable income a month, irrespective of whether or not he was currently managing his existing debt well, as the lender argues. It had to be sure its lending was sustainable and that Mr H would not need to borrow to repay, or suffer other adverse financial consequences during the term of the loan. I cannot see its checks gave it these assurances.

In the round I find Loans 2 Go was wrong to lend to Mr H.

Did Loans 2 Go act unfairly towards Mr H in some other way?

Mr H is unhappy that the loan terms didn't specify the interest rate for each £100 borrowed. But there is no regulatory requirement for the agreement to do this. And it clearly set out the principal loan amount, total interest charged, the interest rate, total amount to repay, the duration of the loan and the monthly repayments. So Mr H would have understood what he was agreeing to pay.

Mr H also raised that there was no inquiry into his psychological state. This is not typically part of an application process – again there is no regulatory requirement for a lender to do this. If Loans 2 Go wasn't advised of any specific needs by Mr H, it was reasonable for it to assume he had the mental capacity to make a borrowing decision.

Finally, Mr H complained that he was not offered with a payment arrangement that froze interest. There were several communications with him from May 2024 when payments were late, and he promised to pay on a certain date. An income and expenditure assessment was done on 3 May 2024 and Mr H said he could afford the repayments. The discussion didn't get as far as setting up a payment arrangement prior to the complaint being raised.

As I'm upholding the complaint, part of putting things right is for Loans 2 Go to liaise with Mr H to set up an affordable repayment plan should there be a capital balance outstanding. I would remind Loans 2 Go of its obligation to treat Mr H fairly and with forbearance as appropriate.

Putting things right

It is reasonable that Mr H repay the capital he borrowed as he has had the benefit of that money. But he has paid interest and charges on a loan that should not have been given.

So Loans 2 Go should:

- Refund/remove all interest and charges and treat all repayments Mr H made as repayments of the capital.
- If this results in any overpayment this should be refunded to Mr H along with 8% simple interest (calculated from the date the overpayments were made to the date of settlement)*.
- If this results in there being an outstanding capital balance Loans 2 Go must agree an affordable repayment plan with Mr H.
- Remove any adverse information from Mr H's credit file once any outstanding capital balance has been repaid.

*If Loans 2 Go deducts tax from the interest element of this award, it should provide Mr H with the appropriate tax certificate so he can submit a claim to HMRC if applicable.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Mr H 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.

My final decision

I am upholding Mr H's complaint. Loans 2 Go Limited must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 4 October 2025.

Rebecca Connelley
Ombudsman