

The complaint

Mr T complains that Loans 2 Go Limited was irresponsible in its lending to him. He wants the interest on his loan refunded as he says it was excessive and unfair.

What happened

Mr T was provided with a £1,000 loan by Loans 2 Go in October 2023. The loan term was 18 months, and Mr T was required to make monthly repayments of £205.56.

Mr T said that he was desperate for money when he applied for the loan. He said the interest rate was higher than other loans which he didn't realise at the time and he didn't think that adequate checks were undertaken before the money was lent.

Loans 2 Go issued a final response to Mr T's complaint dated 14 May 2025. It said it carried out checks to assess the information Mr T provided as part of his application and to determine his ability to repay the loan. It undertook a credit search to see how Mr T was managing his existing credit. Loans 2 Go said that its checks showed the loan to be affordable for Mr T.

Mr T referred his complaint to this service.

Our investigator noted the results of Mr T's credit check and said these showed signs of potential financial difficulties. Therefore, she thought further verification was needed to understand Mr T's financial circumstances. Our investigator looked through Mr T's bank statements for the months leading up to the loan application and was persuaded that he was overly dependent on debt finance and wasn't in a position to take on further finance. Because of this she upheld this complaint.

Loans 2 Go didn't accept our investigator's view. It said that Mr T's credit report showed he was up to date with his credit commitments apart from one credit card and he was operating within the limits of his credit apart from one credit card where he had exceeded the limit by £1. It said there were no defaults, payday loans, or county court judgements within the previous two years. Therefore, while it noted there was some adverse data on Mr T's credit file it didn't think that further checks were needed. Loans 2 Go didn't accept that the loan would have caused Mr T any financial detriment.

Our investigator responded to Loans 2 Go's comments but as these didn't change her view, and 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 creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the loan was provided, Loans 2 Go gathered information about Mr T's income and expenditure and carried out a credit check. Mr T declared that he was employed full time with a monthly income of £1,558. An income verification took place and a net income of around £1,286 was identified. Loans 2 Go reviewed Mr T's declared expenses and credit file and calculated his monthly expenses to be around £925. This would leave disposable income of around £361 before the Loans 2 Go loan repayments. The loan repayments were around £206 so, while I accept this suggested the loan to be affordable, it left a relatively low amount of disposable income to cover any other costs.

Mr T's credit check results didn't record any defaults or county court judgements. However, it did show some recent adverse data. Mr T had a missed payment recorded on one of his credit cards and recent arrears on another (although this had been brought up to date). He had taken out a new credit card account in August 2023 and immediately used the full limit (and exceeded the limit by £1). Mr T had also taken out two short term loans in August 2023 and a charge card account in September 2023. Therefore, I think that Mr T's credit results should have raised concerns that he might becoming increasingly reliant on credit and beginning to struggle to manage this. Given this, I think further checks should have been carried out to verify Mr T's income and expenses to get a clear picture of his financial circumstances before providing any further credit.

As I think additional checks should have taken place, I have looked through Mr T's bank statements for the months leading up to the loan to see what further questions would likely have identified. Mr T's statements show that he was taking on new debt, mainly in the form of short term loans. In September 2023, he took out six short term loans totalling £1,400. He had taken out three short term loans in August 2023. While I accept that one of the August short term loans and the September short term loans didn't show on Loans 2 Go's credit checks, I think they would have identified this borrowing through further checks. Considering the number of loans Mr T took out and the short gaps between these, I think this showed that he was reliant on short term debt and in a cycle taking out new borrowing to meet existing repayments. Given this, and the other information available, I think it unlikely that further debt would have been sustainably affordable for him. Therefore, I do not think that Loans 2 Go acted responsibly by providing this loan.

So, for the reasons set out above, I am upholding this complaint.

I've also considered whether Loans 2 Go acted unfairly or unreasonably in some other way given what Mr T has complained about, including about the interest rate and whether Loans 2 Go's 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 T 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.

Putting things right

As I don't think Loans 2 Go should have arranged this loan, I don't think it's fair for Mr T to pay any interest or charges for the borrowing. However, Mr T did have the use of the funds he was lent, so I think it's fair he repays them.

I understand that Mr T has repaid the loan. Therefore Loans 2 Go should:

- Refund all interest, fees and charges Mr T paid;
- Add interest at 8% per year simple on any interest, fees and charges from the date they were paid by Mr T to the date of settlement*;
- Remove any adverse information recorded on Mr T's credit file regarding the agreement.

*HM Revenue & Customs requires Loans 2 Go to take off tax from this interest. Loans 2 Go must give Mr T a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that 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 T to accept or reject my decision before 21 November 2025.

Jane Archer
Ombudsman