

The complaint

Mr P complains that Loans 2 Go Limited (L2G) irresponsibly lent to him.

What happened

The facts of this case are familiar to both sides. With that being the case, I won't provide a detailed background here. Instead, I'll provide a brief summary.

L2G provided Mr P with four loans between March 2020 and June 2021 as follows:

Loan Number	Date of Sale	Loan Amount	Monthly Repayment	Term (months)	Total Payable
1	05/03/2020	£300	£68.57	18	£1,234.26
2	18/03/2021	£250	£57.14	18	£1,028.52
3	23/04/2021	£250	£57.14	18	£1,028.52
4	17/06/2021	£600	£137.13	18	£2,468.34

In March 2024 Mr P – via a professional representative (PR) – complained to L2G about its decision to lend.

In April 2024, L2G issued its final response in which it did not uphold the complaint. Unhappy with this PR, on behalf of Mr P, referred the complaint to our service.

One of our investigators reviewed Mr P's complaint and, having done so, concluded the complaint about all four loans should be upheld. In short, our investigator thought that whilst L2G had carried out reasonable and proportionate checks prior to agreeing to lend, there was evidence within those checks that Mr P was experiencing financial difficulties such that it should not have approved the applications.

PR on behalf of Mr P accepted our investigators findings in full.

L2G accepted our investigators findings with regards to Loans 1, 2 and 4. However, it did not agree with our investigators findings with regards to Loan 3. In short, it said that the information it gathered prior to agreeing to lend Loan 3 suggested *Mr P's situation had improved significantly since the prior application*.

As an agreement couldn't be reached, the complaint was passed to me to review afresh.

As I've set out above, both parties accepted our investigators findings with regards to Loans 1, 2 and 4, so Mr P's complaint about L2G's decision to provide these facilities is no longer in dispute. With that being the case, I will say no more about them except that I have outlined at the end of the decision what L2G has accepted it needs to do to put things right for Mr P in relation to Loans 1, 2 and 4.

Instead, this decision will focus solely on L2G's decision to grant Loan 3.

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.

Having done so, I agree with our investigator's conclusion – and for broadly the same reasons. I'll explain why.

However, before I do, 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 based my decision on the balance of probabilities.

The Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website. And, having done so, I agree with our investigator's conclusion – and for broadly the same reasons.

L2G needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr P could repay the loan repayments when they fell due and without the need to borrow further. These checks weren't prescriptive, but could take into account a number of different things such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

So, in keeping with the information on the Financial Ombudsman Service's website, I think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:

1. Did L2G carry out reasonable and proportionate checks to satisfy itself that Mr P was likely to have been able to repay the borrowing in a sustainable way?
 - i. If L2G carried out such checks, did it lend to Mr P responsibly using the information it had?

Or

- ii. If L2G didn't carry out such checks, would appropriate checks have demonstrated that Mr P was unlikely to have been able to repay the borrowing in a sustainable way?

Did L2G carry out reasonable and proportionate checks?

There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:

- The type of credit Mr P was applying for along with the size, length and cost of the borrowing; and

- Mr P's financial circumstances – which included his financial history and outlook along with his situation as it was, including signs of vulnerability and/or financial difficulty.

And generally speaking, I think reasonable and proportionate checks ought to have been more thorough:

- The lower an applicant's income because it could be more difficult to make the repayments as a result.
- The higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income.
- The longer the loan term, because the total cost of the credit was likely to have been greater given the longer time over which repayments have to be made.

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship.

Prior to agreeing to lend, Mr P was asked to provide details of his income, employment status, as well as his regular outgoings. This included his housing costs, bills, food shopping, transports costs, as well as the cost of any other credit.

L2G completed an income verification check with a third-party and checked Mr P's declared living costs against national averages. As a result, for each loan it reduced his declared income slightly and increased his declared expenses.

L2G also carried out a credit search and it has provided the results it received from the credit reference agency.

Based on these checks L2G concluded the loan would be affordable for Mr P.

It wasn't a particularly large loan, and the monthly repayments were not substantial in relation to Mr P's declared (and verified) income. Looking at things in the round, I think L2G carried out reasonable and proportionate checks prior to agreeing to lend.

Whilst I think L2G proceeded with a proportionate amount of information, as I've said before, it then had to evaluate it because it still had to reasonably assess whether Mr P could afford to meet the repayments in a sustainable way.

Did L2G lend to Mr P responsibly using the information it had?

During his application for this loan, Mr P declared he was employed, and his monthly income was £2,100. L2G says it used an automated process to verify Mr P's income. During the verification process, Mr P's income was reduced slightly to £1,935.97.

During his application, Mr P also declared he had two dependents and his declared monthly spending – including groceries, utilities, transport and existing credit commitments - came to around £1,401.

L2G increased Mr P's declared overall expenditure figure using its research on the credit report it obtained, plus it used Office of National Statistics data. The figure it used for Mr P's expenditure was £1,668.73 each month.

Using the information Mr P declared about his financial circumstances and the subsequent adjustments it made to both his income and expenditure, it looked like Mr P had £267.24 disposable income per month. So, L2G was satisfied that the monthly repayments of £57.14 for this loan should've been comfortably affordable for Mr P on a simple pounds and pence basis.

However, it's important to note that L2G was required to establish whether Mr P could *sustainably* make his loan repayments – not just whether the loan payments were technically affordable on a strict pounds and pence calculation.

As I've said, L2G also carried out a credit check prior to agreeing to lend. As our investigator noted, I think the results of this check ought to have alerted L2G that Mr P was experiencing financial difficulties. I say this because the results showed Mr P was in (and had been for some time) an active payment arrangement for a loan. It looks like the monthly repayment under this payment arrangement was £50. I think the fact Mr P was in a payment arrangement at all was cause for concern, but even more so when the agreed monthly repayment (i.e. what the lender determined he could afford) was of lower value than the repayments for Loan 3. I think this ought to have given L2G cause for concern about Mr P's ability to *sustainably* maintain repayments for Loan 3.

What's more, it looks like Mr P had been in payment arrangements for two credit cards just a few months prior to the lending in question. I note both cards had been brought back up to date at the time of the lending in question, but Mr P's credit utilisation was at around 95% for both credit cards. So, I think L2G had cause to think Mr P was having some trouble managing his existing commitments such that there was a real risk that further borrowing would cause him financial difficulties.

In addition, it looks like Mr P settled a loan which had been six or more payment in arrears just a month prior to the lending in question. I recognise this loan was settled, but this was another indicator Mr P was experiencing financial difficulties around the time the lending in question was approved.

As I've mentioned, in response to our investigator's findings, L2G says that Mr P's financial situation had *improved significantly since the prior application*. I don't necessarily disagree Mr P's situation had improved. But, for the reasons I've set out, I don't think his circumstances had improved to the extent that L2G acted fairly when it agreed to lend.

Overall, I think there was a level of adverse information from the information L2G gathered which ought to have given it cause for concern about Mr P's ability to sustainably afford Loan 3 with undue difficulty or the risk of borrowing further. It follows I think L2G was wrong to give Loan 3 to Mr P.

Did L2G act unfairly or unreasonably in some other way?

In its letter of complaint, PR on behalf of Mr P has said that it considers L2G's *arrears management to be oppressive and heavy handed*. From the information I've seen, Loan 3 was settled around a month after it was taken out, during which time no arrears accrued on the account. With that being the case, I can't fairly say L2G has acted unfairly in this regard.

Further, in its letter of complaint, PR has raised concerns about the *disproportionate penalty fees and interest added when the credit inevitably default*. As I've said, Loan 3 was settled around a month after it was taken out without any arrears building up on the account. So, I can't see that any penalty fees or interest has been unfairly applied when the account was defaulted, because it doesn't look like the account was defaulted.

I should add that, in any event, what I am proposing L2G do to resolve matters (see the section below titled *Putting things right*) effectively puts Mr P back in the position he would have been – as far as practicable - had the loan not been granted, which includes a refund of interest and charges. Therefore, even if I were to uphold Mr P's complaint about the fees and rates of interest attached to Loan 3 (which I don't), I would not recommend any further award in this regard.

In reaching my conclusions, I've also considered whether the lending relationship between L2G and Mr P might have been unfair to Mr P under section 140A of the Consumer Credit Act 1974.

However, I'm satisfied that what I'm planning to direct L2G to do results in fair compensation for Mr P given the overall circumstances of his complaint. For the reasons I've explained, I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

Putting things right

As Mr P had the use of the money he borrowed, I think it's fair he repays this. But he shouldn't have to pay any interest, fees or charges associated with the loans.

In its submissions to our service, L2G described Loans 2 and 3 as 'withdrawn'. Our investigator asked L2G about this. L2G explained Mr P exercised his right to withdraw from the agreements shortly after they were taken out. In doing so, L2G said Mr P made the necessary payment of the amount borrowed, plus a *small daily interest*. So, Mr P has lost out, at least to some degree, by L2G's decision to lend these loans even if they were considered 'withdrawn'. With that being the case, I've included these loans when considering fair redress.

So, to put things right for Mr P, L2G should:

- Add up the total amount of money Mr P received as a result of having been given Loans 1-4. The repayments Mr P made towards these loans should be deducted from this amount.
- If this results in Mr P having paid more than he received, then any overpayment should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement).
- If any capital balance remains outstanding L2G must work to agree an affordable repayment plan with Mr P.
- Remove any adverse information recorded on Mr P's credit file as a result of Loans 1-4 once any capital balance outstanding has been repaid.

*HM Revenue & Customs requires L2G to deduct tax from this interest. L2G should give Mr P a certificate showing how much tax it's deducted, if he asks for one.

My final decision

For the reasons I've explained, my final decision is that I uphold Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 20 August 2025.

Ross Phillips
Ombudsman