

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 £500 over 18 months from Loans 2 Go on 17 May 2022. The weekly repayments were £102.78.

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 did not uphold Mr H's complaint. She said the lender's checks were proportionate and it made a fair lending decision based on the results.

Mr H disagreed and asked for an ombudsman's review. He said it was not sustainable that he was only left with around £110 disposable income each month after taking on this loan.

I reached a different conclusion to the investigator so I issued a provisional decision. An extract follows and forms part of this final decision. I asked the parties to send any comments or new information by 30 July 2025.

Extract from my provisional decision

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 £1,300. Loans 2 Go was able to verify an amount of £1,283.91 and so used this figure. It calculated his total outgoings to be £1,051.04 which gave Mr H a monthly disposable income of approximately £110 after taking on this loan. I don't find £25 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 Loans 2 Go did not know if this loan was taken out to repay that. 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 addition, Mr H had recently been four months in arrears on one of his credit agreements. Whilst this had been corrected the month before, combined with his overdraft it does suggest he may already have been under some financial strain. In these circumstances I cannot agree it was reasonable to leave him with only £110 of disposable income a month.

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

I then set out what Loans 2 Go would need to do to put things right.

Loans 2 Go responded, disagreeing with the provisional decision. It said it only verified the minimum income required to ensure that the loan was affordable. On this occasion it verified that Mr H's income was a minimum of £1,283.91 and calculated Mr H's total monthly expenditure was £1,051.04. Given that the monthly payment was £102.78 this left a disposable monthly income of at least £130.00. This was sufficient disposable income to ensure that the loan was affordable and sustainable for Mr H.

It said it's important to remember that a credit provider is only required to undertake reasonable and proportionate checks into an applicant's financial position at the time of an application, and that additional checks - such as the business asking to review the applicant's bank account statements - would only be expected where the initial checks give cause for concern such that extra checks might be merited. And there is not enough evidence to suggest that extra checks would have been necessary here. Whilst it accepts that Mr H had some adverse information on his credit file, it didn't think the application should have been rejected because the customer had issues in the past.

Mr H did not respond.

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.

I have considered Loans 2 Go's comments carefully but they do not change my conclusion. I'll explain why.

I agree with its point that its affordability assessment showed Mr H would have £130 monthly disposable income, not £110. But this means he would have only marginally more - so £29 a week - to cover unexpected and seasonal expenses. I do not find this to be sustainable over an 18-month term, particularly given he had a relatively low income and therefore limited financial flexibility.

Loans 2 Go argues the loan application should not have been rejected as Mr H had some issues in the past. But the arrears on his file were recent and he was overdrawn at the time so it is not fair or reasonable to define such issues as historic and discard them.

Given the low disposable income combined with suggestions of financial strain, I still think Loans 2 Go was wrong to lend to Mr H.

Loans 2 Go also explained why it did not need to carry out additional checks, but I did not make this finding – I said its checks were proportionate so I will not comment further on this

point.

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 must:

- 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 1 September 2025.

Rebecca Connelley
Ombudsman