

The complaint

Miss A says Loans 2 Go Limited irresponsibly lent to her.

What happened

Ms A took out a 24-month instalment loan for £1,600 over 24 months on 16 January 2025. The monthly repayments were £215.47 and the total repayable was £5,171.28.

Miss A says she didn't have the disposable income needed to take on this loan and better checks would have shown that.

Loans 2 Go says it carried out proportionate checks that showed the loan would be affordable for Miss A.

Our investigator upheld Miss A's complaint. He said the checks were not adequate and better checks would have shown Miss A was already struggling financially so could not afford this loan.

Loans 2 Go disagreed with this assessment and asked for an ombudsman's review. It said Miss A was up to date with all her active credit accounts. There was no adverse data on her file from the last two years. It accepts she was in an arrangement to pay on her current account, but as a subprime lender it does lend to people with adverse data on their 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 general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. Having carefully thought about everything, I think that there are two overarching questions that I need to answer in order to fairly and reasonably decide Miss A's complaint. These two questions are:

1. Did Loans 2 Go complete reasonable and proportionate checks to satisfy itself that Miss A would be able to repay the loan without experiencing significant adverse consequences?

- If so, did it make a fair lending decision?
- If not, would those checks have shown that Miss A would've been able to do so?

2. Did Loans 2 Go act unfairly or unreasonably in some other way?

The rules and regulations in place required Loans 2 Go to carry out a reasonable and proportionate assessment of Miss A's ability to make the repayments under these agreements. This assessment is sometimes referred to as an affordability assessment or affordability check.

The checks had to be borrower focused – so Loans 2 Go had to think about whether repaying the loans would cause significant adverse consequences for Miss A. In practice this meant that business had to ensure that making the payments to the loan wouldn't cause Miss A undue difficulty or significant adverse consequences. In other words, it wasn't enough for Loans 2 Go to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Miss A.

Checks also had to be proportionate to the specific circumstances of each loan application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the greater the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss A's complaint.

Loans 2 Go has provided evidence to show that before lending it asked for some information from Miss A. It asked for her monthly income and expenses. It verified her income externally and used national statistics to sense check her declared expenses. It used the lower figure for income and the higher for costs. It carried out a credit check to understand her credit history and existing credit commitments. It asked about the purpose of the loan. Based on these checks Loans 2 Go concluded the loan would be affordable for Miss A.

Whilst I think these checks were initially proportionate given the loan value and term, I think once Loans 2 Go saw the results of the credit check in particular it needed to do more. And it had done so I think it ought to have made a different lending decision. I'll explain why.

Loans 2 Go learnt Miss A had an income £1,532.13 and total outgoings of £1,056.73 so the loan seemed affordable on a pounds and pence basis. But the results of the credit check showed that Miss A was in an arrangement to pay on her overdraft, had opened five new accounts in the last 12 months and had £18,447 of debt. So I think Loans 2 Go needed to complete a fuller financial review before lending.

In cases like this we look at bank statements from the three months prior to application. I'm not saying Loans 2 Go had to do exactly this, but it is a reliable way for me to recreate what better checks would most likely have shown.

The statements show Miss A was persistently reliant on her overdraft and was not using it as intended – as short-term borrowing to cover a temporary shortfall in cash flow. This was to an extent inevitable given her bank had recently put her onto a payment plan to reduce it. The statements also show Miss A was using payday loans. And there was a recently

returned direct debit for one of her existing credit commitments, so she was already failing to meet her existing contractual commitments. From these facts combined I think it's fair to conclude Miss A was in a cycle of borrowing to repay and would not be able to sustainably repay this loan.

Miss A had stated the purpose of this loan was 'Personal Loan' so there is no evidence she intend to repay any of her existing debt with it.

It follows I think Loans 2 Go was wrong to lend to Miss A.

Finally, I am sorry that Miss A's financial position has impacted her mental health. I hope she now has the support she needs. If not, there are organisations that can help with free debt advice – such as Step Change on 0800 138 1111, and with mental health and wellbeing - such as MIND on 0300 123 3393

Putting things right

I think it's fair and reasonable for Miss A to have repaid the capital that she borrowed, because she had the benefit of that money. But she has paid interest and charges on a loan that shouldn't have been provided to her.

Loans 2 Go should:

- Remove all interest, fees and charges from the loan and treat all the payments Miss A made as payments towards the capital.
- As this will result in there being an outstanding capital balance Loans 2 Go should confirm how this impacts the payment plan it recently agreed with Miss A and ensure any changes remain affordable for her.
- Remove any adverse information recorded on Miss A's credit file in relation to the loan once the capital balance has been repaid.

My final decision

I am upholding Miss A'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 Miss A to accept or reject my decision before 15 October 2025.

Rebecca Connelley
Ombudsman