

The complaint

Miss S complains that Loans 2 Go lent to her irresponsibly.

What happened

On 11 August 2019, Miss S took out an unsecured fixed-sum loan for £670; the monthly repayments were £152.13, with a total repayment amount of £2,756.34. This had an 18-month term and an APR of 1,013.1%.

She missed payments almost immediately and subsequently contacted a debt management company in November 2019 to arrange a repayment plan for consolidation of 17 debts, including this loan. The payment plan was estimated to be completed in February 2022; however this ran until April 2025.

Miss S says the loan that she was given by Loans 2 Go was unaffordable and caused financial hardship, leading to her having to take out the Debt Management Plan (DMP). She says that the lender didn't carry out proper checks. Miss S has said that she was diagnosed with a medical condition in 2012 and had major surgery for this in December 2023. As a result of this she had a period of time that was affected by physical recovery and financial vulnerability, and she says this significantly impacted her ability to manage debt or respond to financial pressures effectively. She said that the lender was notified of this by phone when she began struggling. She wants a refund of all interest and fees, removal of negative credit information, and an apology.

Loans 2 Go issued a final response letter in relation to Miss S' complaint on 3 June 2025. They say they carried out adequate checks which showed the loan was affordable based on the information they had used to consider the loan application. They do not agree that the loan was offered irresponsibly and did not uphold the complaint. The complaint was referred to our service by Miss S.

Our investigator upheld Miss S' complaint. She said that Miss S was living beyond her means. It was clear that she was in a cycle of debt and likely unable to make the repayments towards the new loan that Loans 2 Go had approved. She felt Loans 2 Go had not completed proportionate checks, and thought that if they had, these would have shown that the loan was unaffordable. She felt the lender had not acted fairly by providing Miss S with this loan.

Unhappy with this assessment, the business asked for an ombudsman's review.

Because an agreement couldn't be reached, the complaint has been passed to me to decide.

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 approach to lending complaints is to check:

Did the lender complete reasonable and proportionate checks before lending?

If so, did it make a fair decision based on what it knew?

If not, would proportionate checks have shown the loan was likely unaffordable?

I've also kept in mind the regulator's rules and guidance on responsible lending (set out in its Consumer Credit Sourcebook – CONC) which lenders, such as Loans 2 Go, need to abide by. Loans 2 Go will be aware of these, and our approach to unaffordable/irresponsible lending complaints is set out on our website. I've used this approach to help me to decide Miss S' complaint. I won't refer to the regulations in detail here but will summarise them.

The rules and regulations mean that Loans 2 Go needed to carry out reasonable and proportionate assessments to understand whether Miss S could afford to repay what she would owe them in a sustainable manner. Being able to sustainably repay credit means that the lender needed to consider whether she could repay the loans without undue difficulty, while being able to meet her other commitments and without having to borrow further.

There isn't a 'set list' of checks that lenders need to carry out. The checks Loans 2 Go carried out did however need to be proportionate to the nature of the credit (the amount borrowed or the term, for example) and suited to Miss S' particular circumstances, in order to treat her fairly.

In general, our view is that we think it's reasonable for a lender's checks to be less thorough, in terms of how much information it gathers and what it does to verify it, in the early stages of a lending relationship. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

To reach a decision I've looked at whether Loans 2 Go completed reasonable and proportionate checks when assessing Miss S' online loan application, to satisfy them that she would be able to make her repayments without experiencing adverse consequences.

Loans 2 Go says they used a number of checks in order to ensure that the loan was affordable for Miss S. They say they used information from the application and also external data, including data from a credit report.

I've reviewed the information Miss S provided as part of her loan application. I can see that Loans 2 Go verified the income she declared (£1,636). They also reviewed her declared expenditure and re-calculated it to be £1,309.83 per month. To do this, they used data from the Office for National Statistics, (sometimes known as ONS) to assess whether Miss S' stated expenses were reasonable. Whilst I understand why they did this, ONS figures reflect the spending of an average consumer. Miss S had applied for a loan with unusually high interest rates, and her financial circumstances were not typical, so in this case, I don't think this comparison was appropriate. Their assessment indicated that Miss S had a disposable income of £316.73. After accounting for the new loan repayment of £152.13, they concluded she would have £164.60 remaining.

Loans 2 Go told us they considered a range of potential warning indicators such as gambling transactions, returned direct debits, or use of an active overdraft facility and they provided the credit report that they relied on.

At the time of the loan application, the report showed no defaults and Miss S appeared to be

making regular payments towards her existing credit commitments. It also showed that she had exceeded a credit-card limit, although by only a small amount. On its own that may not have been significant. However, the report also showed that Miss S had opened seven credit accounts within the previous 12 months and had £690 in active credit commitments. It confirmed she had previously had a County Court Judgement registered against her. It also showed that she'd taken out payday borrowing, with the most recent being a £400 loan obtained at the end of the month before this application. This required a £95 monthly repayment, which she had not yet begun to make.

In my opinion Loans 2 Go should have taken account of the number of credit accounts Miss S had opened within the previous 12 months, as well as the recent borrowing of a £400 payday loan. These were indicators that Miss S may have been struggling financially and relying heavily on further borrowing to manage. Proportionate checks should have included further enquiries into her reliance on credit and why she needed additional borrowing less than a month after taking out the earlier loan, to decide whether the repayments on the lending would be affordable and sustainable.

As a result of this, I'm unable to conclude that Loans 2 Go carried out reasonable and proportionate checks prior to approving the loan.

In situations like this, where I cannot see that reasonable and proportionate checks were completed, I need to consider what they would have shown. To do so, I've looked at bank statements for the three months prior to the loan application. I'm not saying Loans 2 Go had to do this, but it is a way for me to better understand Miss S' actual financial position at the time and consider what additional checks would most likely have shown the lender.

The bank statements Miss S provided for the three months before the loan application period show that although she did not have any housing or utility costs, she was making regular payments towards her committed personal expenses, such as transport, her mobile phone, gym membership, entertainment, TV licence and internet. They also show that she had a heavy reliance on credit and was making repayments for 12 different credit commitments. There were bank charges for unpaid items in two of the three months. They show regular borrowing from other lenders and recent use of higher cost short term credit.

Having considered all the available evidence and arguments from both sides, I don't think Loans 2 Go carried out checks that were reasonable and proportionate based on what they knew at the time. In my view, there were clear indicators in Miss S' credit file that should have prompted the lender to make further enquiries. At a minimum, they should have spoken with her to discuss her existing credit commitments and understand the reasons she needed additional borrowing.

I've also carefully considered Miss S' vulnerability and the impact this may have had on her ability to handle her financial commitments. While I'm sympathetic to the difficulties that she has described, the lender has told us that they weren't aware of this.

Miss S confirmed she didn't disclose this when applying for the loan and was reluctant to share it afterwards. There's nothing in the information provided by the lender to suggest this was brought to their attention. So, I wouldn't have expected the lender to have reasonably known that Miss S was vulnerable at the time, or to have taken any additional steps because of it.

In reaching my conclusions, I've also considered whether the lending relationship between Loans 2 Go and Miss S might have been unfair to Miss S under s140A of the Consumer Credit Act 1974 ("CCA"). However, as I'm already upholding Miss S' complaint for the reasons I've explained, I haven't seen anything to suggest that applying s140A CCA would

have led to a different outcome. I'm satisfied that the redress I've outlined below is fair in the circumstances.

Miss S later entered into a debt management plan. While it appears the plan has now ended, I haven't seen confirmation of whether this loan was fully settled. This doesn't affect my findings or the redress I'm directing.

Putting things right

Taking everything into account, I don't think Loans 2 Go should have approved the loan. I therefore don't think it's fair for them to charge any interest or fees under the credit agreement. Miss S had use of the £670 loan amount, so I think she should repay the amount she borrowed. Therefore, Loans 2 Go should:

- a) add up the total repayments Miss S made and deduct these from the total amount of money she received.
- b) if this results in Miss S having paid more than she received, any overpayment should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). †
- c) remove all adverse information regarding this account from Miss S' credit file; and
- d) if any capital balance remains outstanding, arrange an affordable and sustainable repayment plan with Miss S. Once the balance is cleared, remove any adverse information in relation to this account from her credit file.

† HM Revenue & Customs requires Loans 2 Go to take off tax from this interest. Loans 2 Go must give Miss S a certificate showing how much tax they've taken off if she asks for one.

My final decision

I am upholding Miss S' complaint against Loans 2 Go and I direct them to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 18 March 2026.

Alison Wharton
Ombudsman