DRN-5740494

The complaint

Mr N says Loans 2 Go Limited irresponsibly lent to him.

What happened

Mr N took out two loans from Loans 2 Go. The first, in January 2024, was for £1,500 over 18 months. The monthly repayments were £308.33. The second, in April 2024, was for £1,750 over 24 months. The monthly repayments were £235.67. Mr N repaid loan 1 three months into its 18-month term, before taking out loan 2 around a week later.

Mr N says the loans were unaffordable for him. Loans 2 Go says it carried out adequate checks that showed Mr N would be able to afford the loans.

Our investigator upheld Mr N's complaint. He said the lender's checks were not proportionate and better checks would have shown Mr N could not afford the loans.

Loans 2 Go disagreed and asked for an ombudsman's review. It said, in summary, its checks were proportionate as its credit checks showed Mr N was managing his existing commitments without issue. He never missed a payment on his borrowings showing he had sufficient disposable funds available to him. There is not enough evidence to conclude that additional checks were needed before lending to Mr N.

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 Mr N's complaint. These two questions are:

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

    - If so, did it make fair lending decisions?
    - If not, would those checks have shown that Mr N 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 Mr N's ability to make the repayments under this agreement. 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 loan would cause significant adverse consequences for Mr N. In practice this meant that business had to ensure that making the payments to the loan wouldn't cause Mr N 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 Mr N.

Checks also had to be proportionate to the specific circumstances of the 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 Mr N's complaint.

Loans 2 Go has provided evidence to show that before lending it asked for some information from Mr N at the time of each loan. It asked for his monthly income, expenses and employment status. It completed an income verification check with a third-party and checked his living costs against national averages. On this basis it reduced his declared income and increased his declared outgoings. It carried out a credit check to understand his credit history and existing credit commitments. I can't see it asked about the purpose of the loans. Based on these checks Loans 2 Go concluded the loans would be affordable for Mr N.

I think these checks, whilst initially appropriate given the loan values, were not in the end proportionate given some of the initial results. I will explain why.

Loan 1

The credit check at this time showed that Mr N had opened 11 new credit agreements in the last 12 months suggesting a growing reliance on credit. So, I think Loans 2 Go needed to check Mr N's actual income and non-discretionary outgoings to get the assurances it needed that Mr N would be able to keep meeting all his existing credit commitments, as well as this new one, without needing to borrow to repay, or suffering some other adverse financial consequence. I have extracted this information from his bank statements for the three months prior to application. I am not saying Loans 2 Go needed to do exactly this, but it is a reliable way for me to recreate what proportionate checks would have shown Loans 2 Go.

I note Loans 2 Go strongly disagrees it needed to carry out any more checks than it did, arguing Mr N was making all his repayments on time. But it was obliged to check he would be able to carry on doing so with an increase in borrowing and for the term of its loan. And I think his increase in credit in the year before this application merited further investigation if Loans 2 Go was to meet its obligation to ensure its loan would not cause any financial detriment to Mr N.

These additional checks show Mr N's average net monthly income was £3,601, his housing and living costs were £2,225 and his total credit commitments were £1,143. So he had disposable income of £203 which was not sufficient to take on loan 1 with its monthly repayments of £308.33. Mr N was also making a number of repayments to payday lenders at this time, further supporting my concern from the initial checks that he had become increasingly reliant on credit. And another of his outgoings was overdraft fees which ought to have led Loans 2 Go to check how he was using that facility. It would have learnt he was reliant on it every month, using it for around two thirds of the three-month period prior to application. I think had Loans 2 Go carried out proportionate checks it would have realised there was a high risk any further borrowing would not be sustainably affordable for Mr N.

It follows I do not think Loans 2 Go should have given loan 1 to Mr N.

Loan 2

Given the proximity of the application for loan 2 to loan 1, my findings are the same as there is no evidence Mr N's financial strain had reduced. And better checks would have shown this. Mr N was still reliant on his overdraft facility, using payday loans and there were returned direct debts on his account. He did not have the disposable income Loans 2 Go had calculated and again could not afford to take on more borrowing.

It follows I do not think Loans 2 Go should have given loan 2 to Mr N.

Putting things right

I think it is fair and reasonable for Mr N to repay the capital amount that he borrowed, because he had the benefit of that lending. But he has paid extra for lending that should not have been provided to him so Loans 2 Go needs to put that right.

It should:

- Remove all interest, fees and charges from the loans and treat all the payments Mr N made as payments towards the capital.
- If reworking Mr N's loan accounts results in him having effectively made payments above the original capital borrowed, then Loans 2 Go should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date of settlement*.
- If reworking Mr N's loan accounts results in there being an outstanding capital balance the lender must try to agree an affordable repayment plan with Mr N.
- Remove any adverse information recorded on Mr N's credit file in relation to the loans once any capital balance has been repaid.

*HM Revenue & Customs requires Loans 2 Go to deduct tax from this interest. Loans 2 Go should give Mr N a certificate showing how much tax it's deducted, if he asks for one.

I've also considered whether the relationship might have been unfair under Section140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Mr N 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 N’s complaint. Loans 2 Go must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr N to accept or reject my decision before 25 November 2025.

Rebecca Connelley
Ombudsman