

Complaint

Mr H has complained about a loan Loans 2 Go Limited (“L2G”) provided to him. He says the loan was unaffordable and this would have been determined had proportionate checks been carried out.

Background

L2G provided Mr H with a loan for £250 in December 2023. The loan had an APR of 770% and an 18-month term. This meant that the total amount to be repaid of £925, which included interest, fees and charges of £725.02 was due to be repaid in 18 monthly instalments of £51.39.

For the sake of completeness, it’s worth noting that Mr H successfully applied for a loan of £300 a few days earlier. However, he withdrew from that loan within the cooling off period and before the loan for £250 was taken. As he paid no interest as a result of doing so, we’ve only considered the complaint about the loan that was paid out.

One of our investigators looked at this complaint and thought that L2G didn’t act unfairly when providing this loan. Mr H disagreed with our investigator and so the case was passed forward for an ombudsman to review the complaint.

My provisional decision of 28 July 2025

I issued a provisional decision – on 28 July 2025 - setting out why I was intending to uphold Mr H’s complaint.

In summary, I was intending to uphold Mr H’s complaint because I was satisfied that proportionate checks would more likely than not have shown L2G that it shouldn’t have provided Mr H with his loan.

Responses to my provisional decision

L2G responded to confirm that it accepted my provisional decision and would await my final decision confirming matters.

Mr H responded to confirm his acceptance of my provisional decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr H’s complaint.

Having carefully considered everything, including the responses to my provisional decision, I’m still upholding Mr H’s complaint. I’ll explain why in a little more detail.

L2G needed to make sure it didn't lend irresponsibly. In practice, what this means is L2G needed to carry out proportionate checks to be able to understand whether Mr H could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, 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.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. 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.

L2G may argue that a light touch assessment was proportionate for Mr H's loan. But I'm mindful that the credit checks it carried out showed Mr H had a history of defaulted accounts, he was at the limit on more than one of his revolving credit accounts and had exceeded the limit on another one. Furthermore, I can't see that L2G really looked into the circumstances of Mr H withdrawing from the previous loan either.

So I'm satisfied that the available evidence supports what Mr H has said about already being in a difficult financial position at the time. And while it's possible his credit file reflected his choices rather than because he was struggling, his verified income at the time of the application was low. As this is the case, I'm satisfied that further checks would have been proportionate here.

And I think that if L2G had carried out further checks before providing these loans, it would have seen that most of Mr H's actual income was being taken up by his existing living costs and repayments to his existing commitments. I can even see that he was only making token payments to some of the accounts that he'd previously defaulted on. In these circumstances, there are question marks over the credit risk that L2G was taking. Although I accept that this is a matter for its prudential regulator to determine.

Nonetheless, bearing in mind everything I've set out above, I'm satisfied that reasonable and proportionate checks would more likely than not have demonstrated that Mr H would not have been able to make the repayments to this loan without borrowing further and/or suffering undue difficulty.

And, in these circumstances, I find that reasonable and proportionate checks would more likely than not have alerted L2G to the fact that Mr H was in no sort of position to make the payments to this loan without suffering significant adverse consequences.

As L2G provided Mr H with this loan, notwithstanding this, I'm currently minded to conclude that it failed to act fairly and reasonably towards him. Mr H has ended up paying and is still being expected to pay interest, fees and charges on a loan he shouldn't have been provided with. So I'm satisfied that Mr H lost out because of what L2G did wrong and that it should put things right.

I've also considered whether the lending relationship between L2G and Mr H might have been unfair to Mr H under section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed in the section below results in fair compensation for Mr H in the circumstances of his complaint. And I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Fair compensation – what L2G needs to do to put things right for Mr H

Having thought about everything, I'm satisfied that it would be fair and reasonable in all the circumstances of Mr H's complaint for L2G to put things right for Mr H by:

- removing all interest, fees and charges applied to the loan from the outset. The payments Mr H made, whether to L2G or any third-party debt purchaser, should be deducted from the new starting balance – the £250 originally lent. If Mr H has already repaid more than £250 then L2G should treat any extra as overpayments. And any overpayments should be refunded to Mr H;
- adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Mr H to the date of settlement†
- if no outstanding balance remains after all adjustments have been made, all adverse information L2G recorded about this loan should be removed from Mr H's credit file.

† HM Revenue & Customs requires L2G to take off tax from this interest. L2G must give Mr H a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons I've explained above and in my provisional decision of 28 July 2025, I'm upholding Mr H's complaint. Loans 2 Go Limited should put things right in the way I've directed it to do so above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 9 September 2025.

Jeshen Narayanan
Ombudsman