

The complaint

Mr K complains that Loans 2 Go Limited (L2G) acted irresponsibly by agreeing to lend to him.

What happened

Around March 2022 Mr K entered into a Fixed Sum loan agreement with L2G for £1,000. The total amount repayable was £3,700.08 over 18 months by monthly instalments of £205.56. Mr K complained to L2G saying they hadn't properly checked his financial situation as if they had they would have seen the lending wasn't affordable for him. He also said the interest they were charging was unfair.

L2G said their checks were reasonable and proportionate as they'd checked Mr K's income and outgoings using application, credit reference agency (CRA) and statistical data. And based on these checks Mr K had sufficient disposable income to sustain the repayments. And they hadn't seen any signs of Mr K being financially vulnerable.

Mr K wasn't happy with L2G's response and referred his complaint to us.

Our investigator said L2G's checks were reasonable and proportionate. But based on these checks they hadn't made a fair lending decision. They asked L2G to put things right.

L2G disagreed with our investigator and asked for an ombudsman 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.

Having done so I'm upholding this complaint. I'll explain why.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've taken that approach into account in considering Mr K's complaint.

The rules and regulations when L2G lent to Mr K required them to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check.

This means before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, but they need to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

The checks also need to be borrower focused. So L2G had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Mr K. In other words, it wasn't enough for L2G to simply think about the likelihood of them getting

their money back, they had to consider the impact of the loan repayments on Mr K.

CONC says a lender should take reasonable steps to estimate a consumer's income and non-discretionary expenditure. And that generally a lender shouldn't solely rely on a consumer's declared income but should validate this through an independent source such as a CRA or third party. CONC also allows for the use of statistical data in determining non-discretionary spending. I've considered the checks L2G did and what they showed.

Mr K declared a monthly income of £2,500. And that he'd non-discretionary outgoings of £200 for housing, £233 for groceries, £300 for transport, £300 for credit commitments and £250 for other expenses. Mr K's application data would show he'd a disposable income of around £1,217.

L2G has shown they cross checked Mr K's declared income using a Current Account Turn Over (CATO) check (independent source). This showed Mr K's average income to £2,208.75. They assessed he'd expenses of £783, rent £200 and credit commitments of £770.10. Meaning his non-discretionary spending was £1,753.10 which would have meant Mr K had a disposable income of £455.65 before factoring in the new lending of £205.56. Which would appear to show the lending was affordable for Mr K.

I can see from L2G's records that Mr K's declared income was higher than that L2G assessed it to be. And Mr K's declared outgoings were lower than the statistical data would deem them to be for someone in Mr K's circumstances. Which could be a sign that Mr K was presenting his financial situation in a more favourable way to ensure the loan was approved. L2G have said where their figures differed with those of Mr K, they'd used the CATO check to assess his income, and for his non-discretionary spending they'd used Mr K's credit report and statistical data to assess his non-discretionary spending, using the higher figure where it differed from what Mr K declared. And that this showed their lending decision was fair.

Whilst I'm satisfied the checks L2G did were reasonable and proportionate as they'd a good understanding of Mr K's income and expenditure. And there weren't any signs Mr K was financially vulnerable as he was managing his financial commitments. I don't think the assessment L2G did was a true reflection of the information they gathered from these checks.

I say this as on reviewing the credit report provided by L2G (created February 2022) I can see that Mr K's credit commitments were higher than that used by L2G. I can see Mr K had a hire purchase agreement repayable at £447 a month, home lending repayable at £59 a week which I've calculated to be around £256 a month, an unsecured loan repayable at £222 a month and a communications account repayable at £22 a month. In total I estimate Mr K's monthly credit commitments to be around £947 a month, higher than the amount L2G used in their assessment.

Using L2G's other figures this would have left Mr K around £278 a month before factoring in the new lending of £205.56. Which I don't think left Mr K with sufficient disposable income to sustain his repayments and to meet any discretionary or unexpected costs.

So whilst I'm satisfied L2G's checks were reasonable and proportionate, I'm not satisfied they made a fair lending decision based on these checks as I think they showed the lending wasn't sustainable as Mr K didn't have sufficient disposable income to maintain the instalments.

Mr K has also complained that the interest rate charged by L2G was unfair but as I don't think they should have lent to him I won't comment further on this.

I've also considered whether L2G acted unfairly or unreasonably in some other way given what Mr K has complained about, including whether their relationship with him might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But I'm satisfied the redress I've directed below should result in fair compensation for Mr K 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.

Putting things right

Where we find that a business did something wrong, we'd usually expect that business – in so far as is reasonably practicable – to put the consumer in the position they would be in now if that wrong hadn't taken place. But when it comes to complaints about irresponsible lending this isn't straightforward. Mr K has received the funds in question and will have used them. So, in these circumstances, we can't undo what's already been done. As Mr K has had use of the money he was lent it's fair that he should pay this back. But it's not fair for L2G to apply any interest, fees and charges as a result of the funds that were irresponsibly lent. Mr K should pay no more than the amount lent.

My final decision

I uphold this complaint. And ask Loans 2 Go Limited to:

- Rework the loan removing all interest and charges.
- If the rework results in a credit balance, this should be refunded to Mr K along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement.
- Remove any adverse information regarding the loan from Mr K's credit file. Or if any outstanding balance remains they should work with Mr K to agree an affordable repayment plan. And once any outstanding balance is settled any adverse information about the unfair lending should be removed.

*His Majesty's Revenue & Customs requires Loans 2 Go Limited to deduct tax from any award of interest. It must give Mr K a certificate showing how much tax has been taken off if he asks for one. If they intend to apply the refund to reduce an outstanding balance, they must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 23 December 2025.

Anne Scarr
Ombudsman