

The complaint

Miss N complains that Loans 2 Go Limited acted irresponsibly as the loans she took out were unaffordable.

What happened

Loan 1

Miss N took out a loan with Loans 2 Go for £1,000 on 1 November 2022. The total amount to be repaid was £3,700.08 through 18 instalments of £205.56.

File notes show:

- In December 2022, after missing a payment, Miss N asked for a payment holiday.
- To consider forbearance, Loans 2 Go requested an updated income and expenditure form so they could consider options. Loans to Go say they didn't get a response from Miss N.
- Miss N explains that she received a random work bonus and decided to settle the loan.

Loan 2

Over a year later, on 14 May 2024, Miss N took out a second loan with Loans 2 Go for £420. The total amount to be repaid was £1,553.94 through 18 instalments of £86.33.

File notes show:

- Miss N immediately went into arrears.
- In July 2024, she completed an updated income and expenditure form in order to discuss forbearance options. Loans 2 Go say they didn't get a response from Miss N and as Miss N was in arrears with no repayment plan, they undertook arrears collections.
- In September 2024, a payment holiday was agreed and another income and expenditure form was discussed. But Loans 2 Go say they didn't receive a response to their questions.
- In October 2024, Miss N told Loans 2 Go she had registered for a debt management plan.
- In November 2024, Loans 2 Go agreed a payment plan with reduced instalments of £65.87 starting in December 2024. However, the payment was subsequently missed.

Complaint

In January 2025, with the account in arrears, Miss N submitted a complaint to Loans 2 Go which:

- Said *'At the time of borrowing, had proper affordability checks been conducted, it would have been clear that I was already in financial difficulty, with missed payments showing on my credit file. I believe the loan was irresponsible and unaffordable'*.

- Requested 'a full refund of the interest (Loan 1 - £681.89, Loan 2 - £1553) and fees paid, along with the removal of any negative marks on my credit file caused by these loans'.

Loans 2 Go declined Miss N's request as they considered their checks to have been stringent and couldn't see that they had done anything wrong.

Miss N then brought her complaint to our service. She added that:

- A proper financial assessment would've shown she 'had a poor credit history, including defaults and missed payments, as well as signs of poor money management in my bank transactions'.
- She had a gambling addiction and took out the loans to gamble to pay the interest on her debt.

Our investigator didn't uphold Miss N's complaint as she couldn't see evidence to suggest the lending would have been unaffordable and that Loans 2 Go acted unreasonably and irresponsibly when approving the loans.

As Miss N remains dissatisfied her complaint has been referred to me to look at.

I issued a provisional decision on 31 July 2025, and this is what I said:

I've considered the relevant information about this complaint.

Our investigator didn't uphold this complaint. But based on what I've seen so far, there will be a different outcome to what our investigator proposed. Before I issue my final decision, I wanted to give everyone a chance to reply.

The deadline for both parties to provide any further comments or evidence for me to consider is 14 August 2025. Unless the information changes my mind, my final decision is likely to be along the following lines.

If Loans 2 Go Limited accepts my provisional decision, it should let me know. If Miss N also accepts, I may arrange for the complaint to be closed as resolved at this stage without a final decision.

What I've provisionally 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, based on the information I've seen so far, my provisional decision is to uphold this complaint, and I'll explain why.

I should first say:

- I'm very sorry to hear of Miss N's financial difficulties.
- I'll focus on what I think are the important points to reach a final decision. But I've carefully considered all the points both parties have made, even though I don't specifically address them all.

The general approach to complaints about unaffordable and irresponsible lending including the key relevant rules, guidance and good industry practice is set out on this services website.

We've set out our general approach to complaints about short-term lending, including all of the relevant rules, guidance and good industry practice, on our website.

Loans 2 Go needed to take reasonable steps to ensure it didn't lend irresponsibly. Rather than approach the applications for a loan from the perspective of the likelihood of getting its money back, they had a responsibility to ensure that the repayments wouldn't cause Miss N undue difficulty or significant adverse consequences.

That meant Miss N should've been able to meet repayments out of her normal income without having to borrow to meet the repayments, without failing to make any other payments she had a contractual or statutory obligation to make and without the repayments having an adverse impact on her financial situation.

Loans 2 Go checks also had to be "proportionate" to the specific circumstances of the credit application. In general, what constitutes a proportionate check will depend upon a number of things including – but not limited to – the particular circumstances of the consumer (e.g. financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit.

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

- The lower a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income)*
- The higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income)*
- The longer the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).*

Also, from July 2023 Loans 2 Go had to comply with the Financial Conduct Authority's "Consumer Duty" which required financial services firms to act to deliver good outcomes for their customers. Whilst the Consumer Duty does not mean that customers will always be protected from bad outcomes, Loans 2 Go was required to act to avoid foreseeable harm and look out for signs of vulnerability.

I kept all of this in mind when looking at everything Loans 2 Go considered, to see if their checks for both Loan 1 and Loan 2 were proportionate and, if they were, whether their lending decisions were fair.

For Loan 1, Loans 2 Go didn't consider it proportionate to request income or expenditure evidence, and I don't think they acted irresponsibly when they determined what to check and made the lending decision. This is because:

- They verified her income using an online tool and erring on the side of caution used the minimum income figure (£1,487.07) that they obtained to calculate disposable income rather than the declared figure (£2,000).*
- The credit report they obtained didn't highlight any concerns such as defaults or County Court Judgment's (CCJ's) in the previous six months.*
- Although there was active debt of £5,182 and one missed payment for a credit/store card, all other credit (accounts, cards, loan) were up to date and Miss N was consistently making regular payments. Also, the credit card utilisation rate was on the low side.*
- When Loans 2 Go deducted the monthly expenditure figure, that Miss N declared, it left her with a monthly disposable income of approximately £406. Although this left her with a relatively low figure of approximately £200 after the loan repayment figure was deducted, I don't think this was an unreasonable lending decision.*

Although Loan 2 was for a relatively low amount (£420) the high interest rate meant Miss N had to pay back £1,553.94 which, bearing in mind her income figure at that time (£1,800 p/month), I consider to be a high amount.

When Loans 2 Go received Miss N's application in May 2024, they had some information that I think should've caused them to make further enquiries about Miss N's financial situation. Although it was more than a year ago and the loan had been repaid, they knew that in December 2022 Miss N was experiencing financial difficulties and, when she asked for forbearance, they didn't get a response from her. In addition, they could see from the credit report that since Loan 1, in which there had been an unknown difficulty:

- There had been further defaults mid to late 2023.*
- The 'value of accounts currently in default (all accounts)' had increased to a high figure of £10,495.*
- Her credit card utilisation rate was now at a very high level of 90%.*
- She was and had been in arrears on more than one credit / store card.*

I recognise Miss N requested the loan and Loans 2 Go lend to consumers who struggle to obtain credit. However, when considering the above information together with Loans 2 Go's responsibilities (see above), I think a reasonable and proportionate check ought generally to have been more thorough here and included analysis against application and consumer information.

I think Loans 2 Go should've spoken to Miss N to better understand her financial circumstances. Also, I think they should've asked to see her bank statements for the previous three months to analyse her expenditure, understand any potential issues to more accurately calculate her disposable income.

It isn't possible to know if Miss N would've shared information on her gambling addiction that was causing her to become further indebted. But, having requested and reviewed Miss N's bank statements prior to the loan (Loan 2), if Loans 2 Go analysed these they would've clearly seen she was consistently spending more than £3,000 on gambling transactions each month and her high winnings in one month, which would've also likely clouded their automated income check, were approximately a third of this gambling expenditure.

So, I think Loans 2 Go should've done more here. Proportionate checks would've resulted in them requested this information and seeing clear gambling spend that was considerably higher than the disposable income (approximately £266) that they calculated. And I don't think Loans 2 go would've approved Miss N's Loan 2 because it was clearly unaffordable.

Finally, Miss N refers to a Loans 2 Go error that caused her distress. I currently have insufficient information to consider this, and I could only consider it if it was included in the original complaint. I can't see that it was, so Miss N would need to first raise this with Loans 2 Go. And I noted Loans 2 Go say there was a miscommunication from the debt management company.

So, having considered the above and all the information on file, based on the information I've seen so far, I consider that Loans 2 Go should've been more diligent and not given Miss N Loan 2. Therefore, my provisional decision is to uphold this complaint against Loans 2 Go.

Putting things right

As I don't think Loans 2 Go Limited shouldn't have given Miss N Loan 2, I don't think it's fair or reasonable for her to have paid any interest or charges under the credit agreement.

So, Loans 2 Go Limited should:

- *Remove all interest, fees and charges that have been applied to Loan 2.*
- *Contact Miss N to arrange an affordable repayment plan for the remaining balance.*
- *Once Miss N has cleared the balance, remove any adverse information in relation to the account from her credit file.*

My provisional decision

For the reasons mentioned above, my provisional decision is to uphold this complaint against Loans 2 Go Limited.

I require Loans 2 Go Limited to:

- *Remove all interest, fees and charges that have been applied to Loan 2*
- *Contact Miss N to arrange an affordable repayment plan for the remaining balance.*
- *Once Miss N has cleared the balance, remove any adverse information in relation to the account from her credit file.*

I'll look at anything else anyone wants to give me – so long as I get it before 14 August 2025.

Unless that information changes my mind, my final decision is likely to be as I've set out above.

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.

Further to my above provisional decision:

- Miss N didn't provide any comment or information for me to consider.
- Loans 2 Go Limited agreed that they shouldn't have given Miss N Loan 2.

So, as Loans 2 Go Limited agree and no further arguments or evidence have been produced in response to my provisional decision, my view remains the same. I therefore adopt my provisional decision and reasons as my final decision.

For the reasons I've given in my above provisional decision, my final decision is to partially uphold this complaint against Loans 2 Go Limited.

My final decision

For the reasons mentioned above, my final decision is to partially uphold this complaint against Loans 2 Go Limited.

I require Loans 2 Go Limited to:

- Remove all interest, fees and charges that have been applied to Loan 2.
- Contact Miss N to arrange an affordable repayment plan for the remaining balance.
- Once Miss N has cleared the balance, remove any adverse information in relation to the account from her credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 2 October 2025.

Paul Douglas
Ombudsman