

Complaint

Mr A has complained about loans Loans 2 Go Limited ("L2G") provided to him. He says the loans were unaffordable and so shouldn't have been provided to him.

Background

L2G initially provided Mr A with a loan for £500 in July 2020. This loan had an APR of 1,013.2% and an 18-month term. This meant that the total amount to be repaid of £2,057.04, including interest, fees and charges of £1,557.04, was due to be repaid in 18 monthly instalments of £114.28. This loan was settled in full, with some of the proceeds from loan 2, in May 2021.

Mr A was provided with a second loan for £670.32 in April 2021. £320.32 of the funds from this loan went towards repaying the outstanding balance on loan 1. And Mr A received £350 in new funds. This loan had an APR of 1,013.3% and a term of 18 months. This meant that the total amount to be repaid of £2,757.78, including interest, fees and charges of £2,087.46, was due to be repaid in 18 monthly instalments of £153.21.

One of our investigators reviewed Mr A's complaint and he concluded that L2G didn't do anything wrong when providing Mr A with his loans and so didn't recommend that the complaint be upheld.

Mr A disagreed with the investigator's assessment and asked for an ombudsman's decision.

My provisional decision of 26 August 2025

I issued a provisional decision – on 26 August 2025 - setting out why I was intending to partially uphold Mr A's complaint.

In summary, I was satisfied that that L2G carried out proportionate checks which showed that loan 1 was affordable for Mr A. However, it was also my view that proportionate checks would more likely than not have shown L2G that it shouldn't have provided loan 2 to Mr A.

The parties' responses to my provisional decision

Neither Mr A nor L2G responded to my provisional decision or asked for any additional time in order to do so.

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 A's complaint.

Having carefully considered everything, including the events since my provisional decision, I'm still partially upholding Mr A'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 A 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.

I've kept this in mind in determining Mr A's complaint.

Did L2G act fairly and reasonably towards Mr A when providing loan 1?

L2G provided Mr A with a loan for £500 in July 2020. It had an APR of 1,013.3% and was due to be repaid in 18 instalments of £114.28.

L2G says it agreed to Mr A's application after she provided details of his monthly income and expenditure. It says it cross-checked this against information on a credit search it carried out on Mr A. The information Mr A provided about his income and expenditure showed she'd be able to make the repayments he was committing to.

But it, in any event, adjusted Mr A's income and expenditure information to account for what its checks showed and this still showed the required payments were affordable. L2G says, in these circumstances it was reasonable to lend. On the other hand, Mr A has said he was in financial difficulty.

I've carefully thought about what Mr A and L2G have said. The first thing for me to say is that this was Mr A's first loan with L2G. The information provided suggests Mr A was asked to provide details of his income and expenditure. Equally, L2G did carry out external checks and didn't simply rely on what it was told.

The credit checks indicated that Mr A was in an arrangement to pay on one credit facility but had another revolving credit facility that was up to date. It's also worth noting that Mr A was only using a portion of the available credit that was available to him on his existing facility. Bearing in mind the amount of the repayments appeared affordable and Mr A's lack of any previous lending with L2G, I don't think it was unreasonable for L2G to proceed on the basis of the information it obtained as, on the face of things, it appeared to be accurate.

I accept Mr A's actual circumstances may not been reflected in the information he provided and the other information L2G obtained. But L2G could only make its decision based on the information it had available at the time. And, at this stage of the lending relationship and bearing in mind the circumstances, I don't think proportionate checks would've extended into L2G asking Mr A to provide his bank statements.

As this is the case, I'm not upholding Mr A's complaint about loan 1.

Did L2G act fairly and reasonably towards Mr A when providing loan 2?

While I'm satisfied that L2G's checks before providing loan 1 were reasonable and proportionate, I'm concerned that for loan 2 L2G merely relied on doing the same thing as it did for Mr A's first loan. This is despite the fact that Mr A was returning for further funds before he'd even repaid loan 1.

I'm also mindful that this was in circumstances where Mr A was still in an arrangement to pay and had taken out further credit since loan 1 had been provided. So his overall indebtedness had increased by the time of loan 2 as well. It's also worth noting that for loan 2, Mr A declared having a significantly lower income. Furthermore, L2G also concluded that Mr A's actual income was likely to be lower than what he'd declared too.

Finally, the amount of the monthly payment also took up a significant proportion of the disposable income L2G estimated for Mr A. Given this was based on estimates on Mr A's living expenses I don't think that this was reasonable.

Bearing in mind all of this, I'm satisfied that L2G ought reasonably to have carried out further checks before providing loan 2 to Mr A.

I think further checks would have extended into finding out more about Mr A's expenditure. And if L2G had done this here, I'm persuaded that it would have seen that Mr A was already in a difficult financial position and also found out why this was the case. I'm also satisfied that reasonable and proportionate checks would more likely than not have shown L2G that Mr A's existing precarious financial position was because he was struggling financially.

So as reasonable and proportionate checks should have extended into finding out more about Mr A's income and expenditure, I'm satisfied that they would more like than not have shown L2G that it shouldn't have provided loan 2 to Mr A.

As L2G provided Mr A with loan 2 notwithstanding this, I'm satisfied that it failed to act fairly and reasonably towards him. Mr A ended up paying interest, fees and charges on a loan he shouldn't have been provided with in the first place. So I find that Mr A lost out because of what L2G did wrong when providing loan 2 and that it should now put things right.

In reaching my conclusions I've also considered whether the lending relationship between L2G and Mr A might have been unfair to Mr A under section 140A of the Consumer Credit Act 1974.

However, I'm satisfied that my proposed direction below will result in fair compensation for Mr A given the overall circumstances of his complaint. I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

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

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

- refunding all interest, fees and charges Mr A paid on loan 2;
- adding interest at 8% per year simple on any refunded payments from the date they were made by Mr A to the date of settlement†
- removing any and all adverse information it recorded about loan 2 from Mr A's credit file.

† HM Revenue & Customs requires L2G to take off tax from this interest. L2G must give Mr A 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 26 August 2025, I'm upholding Mr A'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 A to accept or reject my decision before 8 October 2025.

Jeshen Narayanan
Ombudsman