

The complaint

Mr A complains that Loans 2 Go Limited was irresponsible in its lending to him.

What happened

Mr A was provided with two loans by Loans 2 Go, the details of which are set out below.

Loan	Date	Amount	Term	Monthly repayments
1	June 2023	£250	18 months	£51.39
2	December 2023	£2,000	24 months	£269.33

Mr A said that the loans shouldn't have been provided. He said the details weren't fully explained to him and that he thought the second loan had a term of 18 months, not 24 months. He said the loan wasn't affordable for him and he didn't think that proper care had been taken before providing this high-cost credit.

Loans 2 Go issued a final response letter dated 24 September 2024. It said that before the loans were provided it carried out credit and affordability checks and verified Mr A's declared income. It said that based on its checks the lending was affordable for Mr A. It explained that Mr A was provided with the details of the loans before they were given and that the interest had been charged in line with the agreements.

Mr A referred his complaint to this service.

Our investigator thought that given the information received through Mr A's credit check, further questions should have been asked before loan one was provided. He found that had this happened Loans 2 Go would have realised the loan was unaffordable for Mr A. He then considered loan two and found that the information gathered showed Mr A didn't have sufficient disposable income to meet the repayments. Therefore, he upheld this complaint.

Loans 2 Go didn't accept our investigator's view. It said that Mr A's credit file showed he was up to date with his active accounts and operating within his credit limits and that only one account was in arrears which it didn't think suggested he was struggling to manage his commitments. Given this it didn't think it needed to request copies of Mr A's bank statements or carry out further checks. It said as a subprime lender it would provide credit to customers with negative credit information if they demonstrated stability and that they could repay the loan instalments sustainably. It didn't accept that it had lent irresponsibly to Mr A.

As a resolution wasn't agreed, this complaint was passed to me, an ombudsman, to issue a decision.

My provisional conclusions

I issued a provisional decision on this complaint, the details of which are set out below.

Mr A was provided with two loans by Loans 2 Go. Before the lending, Loans 2 Go gathered information about Mr A's employment, income and expenses. A credit check was also carried out. Mr A declared a net monthly income of £1,800 which was validated and said he paid rent of £650. His credit check showed that he had a county court judgment recorded in December 2021, but no defaults. While he did have missed payments recorded on one of his credit card accounts his other accounts were up to date with no adverse information noted. Therefore, on balance, given the size of the loans and the repayment amounts compared to Mr A's verified income, I think the initial checks carried out before the loans were given were proportionate.

However, just because I think Loans 2 Go gathered a reasonable amount of information, it doesn't necessarily mean that I think further questions shouldn't have been asked based on the details that were received or that it was right to provide the loans. To assess that I have considered the information that was received to see if this should have raised concerns about the lending.

Loan 1: June 2023

Loan one was for £250 with repayments of around £51. Mr A declared his net monthly income as £1,800. This amount was checked with an online verification tool and his income was confirmed as being a minimum of around £1,743. While I do not think that Mr A's bank statements needed to be requested as part of this loan process, I do not find these would have raised issues regarding this income figure.

Mr A's credit file showed that he had experienced previous financial difficulties with a county court judgment being recorded and that he had missed payments on one of his credit card accounts. However, given when the judgment was recorded I find it reasonable to accept this as historic and looking at Mr A's more recent credit data, I do not find this raised sufficient concerns to mean that this additional lending shouldn't be provided. However, given there was adverse information on Mr A's credit file, it was particularly important to ensure that he would have sufficient funds available to sustainably afford the repayments on this new borrowing.

Mr A declared that his rent was £650 a month, his credit commitments £130 and his other costs totalled around £220. This gave total costs of £1,000 and I think this appears low. However, after reviewing Mr A's application and credit file, Loans 2 Go found his costs to be around £1,512. Having looked through Mr A's credit file and the other information provided, I do not find this figure unreasonable and based on this I accept that the loan appeared affordable for Mr A.

Based on the above, I do not intend to uphold this complaint regarding loan one.

Loan 2: December 2023

Mr A applied for a second loan in December 2023. This was for a larger amount, £2,000 and was used in part to repay loan one. Mr A had made his repayments on loan one without issue and so I cannot say his previous account management raised concerns. However, given the larger repayments due and that Mr A was increasing his debt and the term of his borrowing, it was essential that the data received showed the loan repayments would be sustainably affordable for him.

Mr A declared a net monthly income of £1,800 (the same as for loan one) and this was verified and a minimum monthly income of £1,681 identified. I find it reasonable that this

amount was relied on. Loans 2 Go said that after reviewing Mr A's credit file and application it found his costs to be around £1,232. This is lower than identified for loan one.

Having looked through the account notes, I can see that Mr A initially declared his rent to be £750 and to have one dependent and that Loans 2 Go found that based on this loan two wouldn't be affordable. It discussed this with Mr A and he said his rent was £650 but he would often overpay this and that his child was 18 and not financially dependent on him. While I note the information Mr A provided, given he had previously given a different figure for rent I think it would have been prudent to either ask for further evidence of this (which based on his bank statements would suggest rent of £800 a month) or rely on the original rent figure provided of £750.

Mr A declared his credit commitments as £100. Looking at Mr A's credit file, his credit commitments were above this amount, and I note Loans 2 Go's notes record an amount of around £253. This amount includes the repayments for loan one which would be settled by loan two. Excluding the Loans 2 Go loan one repayments would give credit repayments of around £202 which appears reasonable based on the credit check results. Third party data was used to give an amount for living costs (accepting Mr A had no dependents) and this was a higher figure than Mr A declared (£380 compared to £350). While I think this figure was quite low, I accept that it was used in the calculation. Deducting Mr A's rent, existing credit commitments excluding the Loans 2 Go loan and other costs left around £349 to cover the cost of the loan repayments and any other costs. Noting the new loan repayments were around £269, I do not think this left sufficient disposable income for Mr A to cover any increase in costs or unexpected expenses (particularly noting he did have a child, and the low living costs included). Therefore, I do not think it was reasonable to consider this loan as sustainably affordable for Mr A. Because of this I intend to uphold this complaint in regard to loan two.

I note Mr A's comment about not being provided with the details of the loan but I can see that the agreement set out the loan term, repayments and total cost of credit so I find he was given the information he needed. Had he not wished to continue with the loan after signing the agreement he could have exercised his right to withdraw.

I've also considered whether Loans 2 Go acted unfairly or unreasonably in some other way given what Mr A has complained about, including whether its relationship with Mr A might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr A 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.

No new information was provided in response to my provisional decision.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

As no new information was received in response to my provisional decision, my conclusions haven't changed. As I previously explained, I think given the size of the loans and the repayment amounts compared to Mr A's verified income that the checks Loans 2 Go completed before lending were proportionate.

For the reasons I set out in my provisional decision, considering the information gained through the checks, I think it reasonable that Loans 2 Go found loan one to be affordable for Mr A. However, based on the information provided by Mr A and the results of Loans 2 Go's checks, I do not think that Mr A's disposable income after his costs and the loan two repayments was enough to be able to say this loan would be sustainably affordable for Mr A. Therefore I am upholding this complaint in regard to loan two.

Putting things right

As I am uploading this complaint in regard to loan two, Loans 2 Go should add up the total repayments Mr A has made towards loan two and deduct these from the total amount of money Mr A received.

- a) If this results in Mr A having paid more than he received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement)*. Loans 2 Go should also remove all adverse information regarding loan two from Mr A's credit file.
- b) If any capital balance remains outstanding on loan two, then Loans 2 Go should arrange an affordable and suitable payment plan with Mr A. Once Mr A has cleared the balance, any adverse information in relation to loan two should be removed from his credit file.

*HM Revenue & Customs requires Loans to Go to take off tax from this interest. Loans 2 Go must give Mr A a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that Loans 2 Go Limited should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 3 November 2025.

Jane Archer
Ombudsman