

The complaint

Mr I complains that Loans 2 Go Limited lent to him irresponsibly.

What happened

Mr I took a loan with Loans 2 Go on the following terms:

| Date | Amount | Term | Monthly repayment | Total Payable |
|--------------|--------|-----------|-------------------|---------------|
| 4 April 2023 | £1,000 | 18 months | £205.56 | £3,700.08 |

On 27 January 2025, Mr I complained to Loans 2 Go. He said the loan had been unaffordable from the outset and *“one look at [his] credit file from the time shows this quite explicitly”*. He said the loan put him in *“deep financial difficulty”* and caused strains on relationships. He said he was dealing with a family bereavement which he’d told Loans 2 Go about. To resolve his complaint, Mr I asked for *“some form of redress...and...all of the negative marks be removed from [his] credit file”*.

Loans 2 Go looked into Mr I’s complaint and issued a final response. It outlined the checks it had carried out on Mr I’s application, and it was satisfied the loan was affordable for him at the time. It went into a little detail about how the loan worked and explained that the repayments he had made to it had been largely returned to him as a result of a chargeback claim he’d raised. As a result, a default had been issued in August 2023 and as that wasn’t satisfied, a final demand was issued on 18 September 2023. Mr I was in arrears of £3,694.52 at the time of the final response letter – essentially the whole balance - as the loan term had expired and there had been no contractual payments. Loans 2 Go didn’t uphold Mr I’s complaint.

Mr I was unhappy with Loans 2 Go’s response, so he referred his complaint to our service. One of our investigator’s looked into it. He said Mr I had 12 defaulted accounts since 2017, so he felt Loans 2 Go ought to have realised it would be irresponsible to lend to him now. Our investigator upheld the complaint and recommended Loans 2 Go should refund the interest and charges added to the account.

Mr I accepted what the investigator said, but Loans 2 Go didn’t. It said the most recent default had been around 17 months before this application, but his existing credit was up to date. Loans 2 Go pointed out that it is a *“sub-prime lender”* which specialises in lending to people who may not have a good credit score. As there was no agreement, the complaint has been passed to me for a 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.

Having done so, I’ve reached a different conclusion from that of our investigator, so I issued a provisional decision. I said:

“We’ve set out our approach to complaints about irresponsible and unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I’ve considered this approach when deciding this complaint.

Loans 2 Go needed to carry out reasonable and proportionate checks to ensure that it didn’t lend to Mr I irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did Loans 2 Go carry out reasonable and proportionate checks to satisfy itself that Mr I was in a position to sustainably meet the repayments?*
- If not, what would reasonable and proportionate checks have shown at the time?*
- Did Loans 2 Go make a fair lending decision?*
- Did Loans 2 Go act unfairly or unreasonably towards Mr I in some other way?*

Loans 2 Go had to carry out reasonable and proportionate checks to satisfy itself that Mr I would be able to repay the loan sustainably. It’s not about it assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on him. There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the loan, the amount of the repayments and the overall circumstances of the borrower.

To assess his application, Loans 2 Go used the information Mr I provided, a credit check, and data provided by the Office of National Statistics (ONS) to estimate his expenditure. On his application, Mr I declared an income of £2,100 per month. Loans 2 Go checked that figure using his payslips which showed an average of £2,091. The ONS data along with his credit file produced a figure for expenditure of £1,607 which meant he had a monthly disposable income of £493. So I can see why Loans 2 Go felt the loan was affordable.

When it checked his credit file, Loans 2 Go saw he had a number of defaulted accounts, as our investigator said. But as a sub-prime lender, it is used to lending to customers who have had previous difficulties and it was still prepared to lend to Mr I.

In this case, Mr I had a little active credit which consisted of a communications account and a credit card which were both up to date. It’s clear he’d experienced some difficult times in previous years as he had several defaulted accounts. But the most recent of these was registered almost 1½ years ago. While that was outstanding, all his earlier defaulted accounts were now showing as settled.

I don’t think it’s unreasonable for Loans 2 Go to have considered his problems were historic as he seemed to be back on track. I think the checks Loans 2 Go carried out were reasonable and proportionate. The loan appeared affordable based on what it knew. I think it reached a fair decision to lend to Mr I.

Did Loans 2 Go act unfairly or unreasonably towards Mr I in some other way?

I’ve thought about Mr I’s comments that he told Loans 2 Go about being under strain due to a family bereavement. I’ve looked carefully at the notes provided by Loans 2 Go, and I can see that on 21 September 2023, he told it “we have suffered a bereavement in the family which has led to the situation”. In response, Loans 2 Go acknowledged the situation and, as he was already in arrears and a Final Demand had been issued, it asked him to complete an income and expenditure to see how it could support him to bring the loan back up to date.

I am sorry to hear of Mr I’s loss and, from the information he’s provided, I appreciate it must have been a difficult time for him. But Loans 2 Go wasn’t aware of the situation until it had

already defaulted the account and issued a Final Demand on 18 September 2023. I've seen nothing to suggest it knew about the situation any sooner. It had written to Mr I regularly requesting contact, but hadn't been successful.

Since then, Loans 2 Go has repeatedly offered to set up repayment plans and on occasion Mr I has made promises to pay. But the statement I have for the loan which goes up to April 2025 shows no payments have been received.

I've looked carefully at all the evidence provided by each party to the complaint. Having done so I've not seen anything which makes me think Loans 2 Go has treated Mr I unfairly in some other way.

For the reasons I've already given, I don't think Loans 2 Go lent to Mr I irresponsibly or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A of the Consumer Credit Act 1974 would, given the facts of this complaint, lead to a different outcome here."

Loans 2 Go accepted my provisional decision, but Mr I didn't. He said (in summary):

- the number of defaults from over 1½ years ago – and the lack of loans since - showed a “*clear inability to manage loan accounts for a prolonged period of time*”;
- OFT guidance says loans should be “*sustainable over the life of the agreement*”;
- the loan repayments took almost half of his disposable income, and the income and expenditure form didn't capture all elements of expenditure; and
- Loans 2 Go were aware of his family bereavement much earlier in the agreement.

I agree with much of what Mr I has said, but it doesn't change my view of his complaint. Let me explain.

The number of defaults Mr I had does indeed indicate he had problems managing his money for a period of time. But he applied for this loan around 18 months after the most recent default *and* his existing credit was up to date. He's also fully repaid all but the very latest of the defaulted accounts. I think it was reasonable for prospective lenders to think that while he had experienced difficulties, he was now back on track and managing his finances again.

Loans 2 Go is a 'sub-prime' lender which specialises in lending to people with impaired credit histories. I don't think it was unreasonable for it to think of Mr I's difficulties as being historic when he applied for the loan.

The regulations lenders must follow when agreeing to lend to consumers used to be set by the OFT as Mr I suggested. But when this loan was applied for, the relevant rules were set by the Financial Conduct Authority (FCA), specifically in the Consumer Credit Sourcebook (CONC). CONC 5.2A sets out the requirements for a creditworthiness assessment. While it doesn't specifically mention sustainability, it focusses on the types of things a lender should consider, including affordability risk.

Loans 2 Go carried out a creditworthiness assessment in line with the regulations in place at the time of the application. I've set out the details of that above. It appeared to Loans 2 Go that Mr I's difficulties were behind him. He provided payslips to prove his income which tallied with what he told it. And it appeared he had sufficient income to meet his non-discretionary expenditure. So overall, I remain of the view that Loans 2 Go reached a fair decision to lend to Mr I.

I acknowledge that the income and expenditure forms do not capture every item of

expenditure – it simply wouldn't be practical or necessary to do so. Lenders are obliged to consider non-discretionary expenditure, such as priority debts and other essential living expenses and other expenditure which it is hard to reduce to give a basic quality of life. Loans 2 Go calculated Mr I's expenditure as around £1,600 and received proof of his income as £2,091 leaving around £500 from which to fund this loan (£205) and his discretionary expenditure. I don't think this was unreasonable in the circumstances.

Mr I has said Loans 2 Go knew earlier in the agreement that he'd suffered a bereavement but hasn't said when he told it. I've looked again at the notes Loans 2 Go has provided and not seen any earlier mention than 21 September 2023. I can see it wrote to him numerous times about a lack of contact and repayments from April 2023 onwards, but the date I've given is the first report of him getting in touch with Loans 2 Go.

That is not to say that Mr I didn't contact Loans 2 Go sooner about his situation, but that is the earliest evidence I can see. Equally, I don't think it makes a material difference to the complaint. Loans 2 Go agreed the loan in April 2023, and Mr I has said he told it of the bereavement "*earlier in the agreement*" than September, but in any event, that would have been after the lending decision was made.

I don't think that even if Loans 2 Go had known about the bereavement, it would have refused to lend to him, but it may have handled his account differently in terms of allowing more breathing space or similar. But once it was aware, Loans 2 Go tried to help, but ultimately, he still hadn't made any material payments to the account by April 2025. So I think the account would still have defaulted and he would still owe the money under the loan.

I am sorry to disappoint Mr I, but I hope my explanation has been helpful. I note that he said in his response to my provisional decision that he appreciates the loan "*will need to be paid back through an arrangement now that I am back on my feet*". I am pleased to hear that his financial circumstances may have improved, and encourage him to speak to Loans 2 Go about reaching a repayment plan. I would also remind Loans 2 Go of its obligation to treat customers in financial difficulty fairly.

My final decision

My final decision is that I don't uphold this complaint.

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

Richard Hale
Ombudsman