

The complaint

Mr R complains that Loans 2 Go Limited trading as Loans 2 Go lent to him in an irresponsible manner.

What happened

Mr R took one loan from Loans 2 Go. He borrowed £1,000 October 2023 and agreed to repay the loan in 18 monthly instalments. Shortly after taking the loan Mr R found it difficult to make his repayments and has since made only a few token repayments. At the time he made the complaint Mr R still had an outstanding balance on his loan.

Mr R's complaint has been assessed by one of our investigators. She didn't think that the checks Loans 2 Go had done before agreeing the loan had been sufficient. And she thought that better checks would have shown Mr R couldn't sustainably afford the repayments. So, she thought the complaint should be upheld and asked Loans 2 Go to put things right.

Loans 2 Go didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, 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.

We've set out our approach to unaffordable/irresponsible lending complaints on our website, and I've kept this in mind while deciding Mr R's complaint.

The rules and regulations at the time Loans 2 Go gave this loan to Mr R required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This assessment is sometimes referred to as an "affordability assessment" or "affordability check."

The checks had to be "borrower" focused – so Loans 2 Go had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr R. In practice this meant that Loans 2 Go had to ensure that making the repayments wouldn't cause Mr R undue difficulty or adverse consequences. In other words, it wasn't enough for Loans 2 Go to simply think about the likelihood of it getting its money back, it had to consider the impact of any repayments on Mr R.

Checks also had to be "proportionate" to the specific circumstances of the loan application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount / type / cost of credit they are seeking.

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).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether Loans 2 Go did what it needed to before agreeing to lend to Mr R.

Loans 2 Go gathered some information from Mr R before it agreed the loan. It asked him for details of his income, and his normal expenditure. It then used some industry statistical data to check Mr R's declared expenditure and if needed revise it upwards. And it checked his credit file to validate his income, assess how much he was repaying to other creditors, and to check how he had managed credit in the past.

Loans 2 Go's checks showed that Mr R had grossly overreported his normal income. Mr R had told Loans 2 Go that he earned around £2,963 each month. But Loans 2 Go's checks suggested that Mr R's monthly income was more likely to be around £1,515 each month. I think that discrepancy alone should have caused serious concerns to Loans 2 Go about the veracity of the information Mr R had provided about his disposable income. And I think those concerns should have been heightened by the results of the credit check. Whilst the credit check didn't show Mr R was failing to meet any of the repayments he was due to make, it did show that he had borrowed on at least three occasions in the past two months. That might have suggested that his finances were under considerable pressure.

So I don't think that the checks Loans 2 Go completed before agreeing the loan were sufficient – I think the results it received should have led the lender to dig deeper into Mr R's financial circumstances. But that in itself doesn't mean that Mr R's complaint should succeed. I'd also need to be persuaded that what I consider to be proportionate checks would have shown Loans 2 Go that Mr R couldn't sustainably afford the repayments. So I've looked at Mr R's bank statements, and what he's told us about his financial situation, to see what better checks would have shown Loans 2 Go.

At this stage I want to be clear that I am not suggesting that this is the exact check that Loans 2 Go should have carried out. I do think Loans 2 Go needed evidence to verify what Mr R said was happening with his finances. And looking at his bank statements is one way of achieving that although there are of course many other ways that level of detail could be established. But I think that by looking at Mr R's bank statements I can get a good idea of what better checks might have shown.

Mr R's bank statements show that his income varied each month. But his bank statements would have shown that the estimate Loans 2 Go received of Mr R's income from its checks was far more realistic than the amount Mr R had declared when he made his application. But Mr R's bank statements would also have shown that his normal monthly expenditure was much higher than he had declared to Loans 2 Go. After accounting for the repayment on his new loan Mr R would be left with very little each month for any unforeseen costs he might experience.

Over the three months before applying for this loan Mr R had taken out at least eight other loans. Although the amounts were generally small, they showed evidence that he was relying on short term credit to meet his normal expenditure and other credit repayments. I think that was a further indication that Mr R would be unlikely to be able to repay any new borrowing in a sustainable manner.

So, I think that, what I would consider to be proportionate checks, would have shown that it would be unlikely that Mr R would be able to repay any new borrowing in a sustainable manner. And so, as a responsible lender, I think the results of those checks would have led Loans 2 Go to decline Mr R's application. So, I don't think this loan should have been agreed.

For completeness I've also considered whether Loans 2 Go acted unfairly or unreasonably in some other way given what Mr R has complained about, including whether its relationship with him might have been viewed as unfair by a court under s.140A of the Consumer Credit Act 1974. But I'm satisfied the redress I am directing below results in fair compensation for Mr R 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

I don't think that Loans 2 Go should have provided this loan to Mr R. It seems fair that Mr R should repay the capital that he borrowed as he has had the benefit of that money. But I don't think he should be expected to pay any interest or charges in relation to his borrowing. So, to put things right, Loans 2 Go should;

- remove any interest and charges still outstanding on the loan and treat all the payments Mr R made towards this loan as payments towards the capital.
- it appears that reworking Mr R's loan account in that way will leave an amount of capital still to be paid. I remind Loans 2 Go that it should take a sympathetic view when seeking to agree an affordable repayment plan for the balance with Mr R.
- Once the outstanding capital balance has been repaid Loans 2 Go should remove any adverse information recorded on Mr R's credit file in relation to the loan.

My final decision

My final decision is that I uphold Mr R's complaint and direct Loans 2 Go Limited trading as Loans 2 Go to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 29 May 2026.

Paul Reilly
Ombudsman