

The complaint

Mr R complains that Loans 2 Go Limited (L2G) lent irresponsibly when it approved two loan applications he made.

What happened

Mr R applied to borrow £500 from L2G in February 2025 (loan 1). The loan came with an APR of 678.9%, interest of £1,260.04 and an 18 month term with payments of £97.78. The total loan repayable was £1,760.04.

In his application, Mr R said he was employed with a net monthly income of £2,500. Details of Mr R's rent, utilities, groceries and credit commitments were also recorded. L2G says it verified Mr R's income via a third party service provided by a credit reference agency.

A credit search found two County Court Judgements (CCJs) from 2022. The credit file showed Mr R opened a new credit card in January 2025, another credit card in May 2024, a loan in February 2025, a credit card in August 2024, a loan in May 2024, a hire purchase arrangement in May 2024, a loan in September 2024 and a loan in November 2024. The credit file results show that in the previous year Mr R had opened eight new credit accounts.

An affordability assessment was completed using rent of £550, general living expenses of £467 and credit commitments of £1,123 a month. The total outgoings were calculated as £2,141 a month leaving around £359. L2G approved Mr R's application and issued the loan funds to Mr R.

Mr R went on to repay the outstanding balance around 10 days later. Mr R incurred around £20.77 in interest during that time.

Mr R applied for a second loan with L2G in April 2025. Mr R applied to borrow £1,990 at an APR of 320%. The interest applied was £4,441.76 and loan payments were £267.99 over a 24 month term.

Mr R said he had a net monthly income of £2,400 that L2G says was verified. Mr R also gave a reduced rent figure of £350 a month plus details of his other outgoings.

A credit search found Mr R had taken a new loan of £600 in February 2025, in addition to his L2G loan. Mr R's other unsecured credit remained largely the same. There was no evidence of new adverse credit or recent missed payments. Mr R's existing monthly repayments were recorded as £1,025 a month.

A new affordability assessment was completed that took Mr R's rent, general living expenses and credit commitments. L2G says Mr R had around £520 available as a disposable income. L2G approved Mr R's loan application and the funds were released.

Mr R's account fell into arrears around three months after the loan was approved was ultimately terminated by L2G.

More recently, Mr R complained that L2G lent irresponsibly and it issued a final response. L2G said it had completed the relevant lending checks before approving both loan applications and didn't agree it lent irresponsibly.

An investigator at this service upheld Mr R's complaint about both loans. The investigator thought the level of new borrowing Mr R had taken out in the year before his applications were made showed he was reliant on credit to make ends meet. The investigator wasn't persuaded L2G lent responsibly when approving both applications and asked it to refund all interest, fees and charges applied.

L2G asked to appeal and said it didn't agree there were signs Mr R was struggling financially and that all payments found on their credit file were up to date. L2G also said it is a subprime lender. As L2G asked to appeal, Mr R's complaint has been passed to me to make 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.

Before agreeing to lend, the rules say L2G had to complete reasonable and proportionate checks to ensure Mr R could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've set out the information L2G used when considering both applications Mr R made above. I can see that L2G verified the income Mr R provided so I'm satisfied it was using accurate figures when assessing both applications. I can also see that affordability assessments were completed making reasonable deductions from Mr R's income for his rent and general living expenses. With that being said, I think our investigator made a reasonable point when they highlighted the level of payments Mr R was already making to his unsecured debts when his applications were made. I can also see that Mr R had opened multiple new credit facilities over the preceding year.

Looking at loan 1, I can see L2G found Mr R was already making monthly repayments totalling £1,123 to his existing unsecured debts. That's almost half of Mr R's verified income which was a substantial amount. Adding the new loan payment of £97.78, only increased the amount of Mr R's income being used up by his credit commitments. I also note Mr R had opened over £20,000 in new credit in the previous year. I accept that included a hire purchase arrangement, but there were numerous lower value loans and new credit cards opened in the previous year.

In my view, Mr R's credit file shows he was regularly using credit facilities to help make ends meet. There appears to be a pattern of new credit obtained then repaid a short time later (as occurred with loan 1). Whilst this could be argued to show Mr R was in control of his finances, I think the opposite more likely applied here. I think Mr R was using short term borrowing to help cover his living expenses and credit commitments. In my view, Mr R's credit file shows he was borrowing at an increasing and unsustainable rate.

Taking all the available information into account, I think Mr R's borrowing history should've shown L2G he wasn't in financially stable situation when his application for loan 1 was made. In the circumstances, I think it would've been reasonable for L2G to have declined Mr R's application for loan 1 on the basis repayments were unlikely to be sustainable.

Mr R's application for loan 2 included largely the same information, albeit with a reduced income figure of £2,400 and lower rent figure of £350 a month. This time, the loan amount was significantly higher, especially when the addition of interest is taken into account. Mr R's total loan amount came to £6,431.76 and the new monthly payments were £267.99 over two years.

L2G found Mr R was already making payments to his credit commitments totalling £1,025 a month when his application for loan 2 was received. With the addition of the new loan payments of £267.99 Mr R would've had payments totalling £1,391 for his unsecured debts. I can see Mr R's rent figure was reduced from £550 to £350 between applications but can see no reason why the lower figure was used. Given L2G knew Mr R's rent was £550 a month just two months earlier, I think it should've used the higher rent figure in the affordability assessment.

Taking Mr R's income of £2,400, existing debt repayments of £1,025, general living expenses estimate of £506, rent of £550 and new loan payment of £267.99 into account he would've been left with around £51 a month as a disposable income. I'm not persuaded that would've been sufficient to sustainably afford Mr R's existing outgoings, new loan and any other unexpected or emergency expenses that may've arisen.

Like the investigator, I also think the amount of new credit Mr R had taken on in the previous year along with the way he was borrowing also showed a new loan was unlikely to be sustainable for him.

Taking all the available information into account, I haven't been persuaded L2G lent responsibly when it approved loan 2. As a result, I intend to uphold Mr R's complaint and direct L2G to refund all interest, fees and charges applied.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974 which says a court may make an order under Section 140 if it determines a relationship between the creditor and the debtor is unfair. The consumer is the debtor and Section 140 defines the creditor as "the person to whom his rights and duties under the agreement have passed by assignment or operation of law."

Where a debt has been sold, (as it has in this case) it follows that the debt purchaser is now the creditor for the purpose of the credit agreement. So a claim about an unfair relationship can't be brought by the consumer against the original lender as they are no longer the creditor.

My final decision

My decision is that I uphold Mr R's complaint and direct Loans 2 Go Limited to settle as follows:

Add up the total repayments Mr R has made to each loan and deduct these from the total amount of money he received.

- a) If this results in Mr R having paid more than they received, any overpayments should be refunded along with time weighted Bank of England base rate plus 1% simple interest per year (calculated from the date the overpayments were made until the date of settlement). † Loans 2 Go should also remove all adverse information regarding this account from Mr R's credit file.
- b) If any capital balance remains outstanding, then Loans 2 Go should to arrange an affordable and suitable payment plan with Mr R. Once Mr R has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

As Loans 2 Go has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

† HM Revenue & Customs requires Loans 2 Go to take off tax from this interest. Loans 2 Go must give Mr R a certificate showing how much tax it's taken off if they ask for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 15 May 2026.

Marco Manente
Ombudsman