

complaint

Mr D has complained Loans 2 Go Limited shouldn't have given him two loans as he believes these were unaffordable. He doesn't think they carried out enough checks.

background

Mr D applied for a log book loan with Loans 2 Go in September 2013. He borrowed £2,500. He agreed to repay this over 48 months. He paid Loans 2 Go just over £300 per month. He was also borrowing money from payday lenders and other loan providers at the same time. Four months later Mr D topped up this loan by borrowing another £1,000. His monthly payments jumped to nearly £425 a month. Mr D quickly fell behind with his payments in 2014 and struggled to make payments over the next two years. Loans 2 Go took possession of his car in 2016.

This year he complained to Loans 2 Go that they didn't carry out enough checks on whether he could afford to repay his loans. He felt they shouldn't have lent to him as he had other outstanding financial commitments and defaults showing on his credit record. He also had a low credit score which indicated he was a risky borrower.

Loans 2 Go felt they'd carried out enough checks, including a credit check, at the time they lent Mr D the money. They'd been in touch with Mr D when he told them he was having difficulty repaying what was owed. And an income and expenditure check had been completed. They believed this showed Mr D's monthly repayments were affordable. And of course, Loans 2 Go had given Mr D a secured loan so believed they'd always be able to get possession of his car if he was unable to repay. As he wasn't happy with this answer, he brought his complaint to the ombudsman service.

Our investigator didn't think there was evidence to show Mr D couldn't afford his loans with Loans 2 Go. In fact the checks they carried out were proportionate. Specifically the income and expenditure check, based on information Mr D had provided, showed he was able to afford his monthly payments. Mr D remained unhappy. His complaint has been referred to an ombudsman to make a final decision.

my findings

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 the same conclusion as our investigator. And for roughly the same reasons.

There are two aspects to this complaint that I need to consider. Did Loans 2 Go carry out enough checks and were Mr D's loans affordable?

proportionate checks

But before I do that it's worth clarifying each business, when considering loan applications, defines its own criteria for the type of customers it's prepared to lend money to. Mr D is concerned he had a poor credit record but Loans 2 Go were still prepared to lend to him. I don't find this surprising. Some businesses are prepared to lend money to customers who don't have a clear credit record, or who may have had some financial difficulty in their past. That depends on their appetite for risk. In Mr D's case, Loans 2 Go also protected their loan by securing it against his car.

Loans 2 Go has shown us they got details of Mr D's income including payslips His income was above average which they considered along with the level of his active debt and his declared expenditure. They also got copies of Mr D's bank statements (which I've also seen). And they carried out a credit check.

So overall I can see Loans 2 Go carried out the range of checks we'd expect them to do. Particularly taking into account the large amount of money – £20,300 in January 2014 – Mr D was agreeing to pay them for the £3,500 he borrowed.

was this loan affordable?

I have seen the evidence Mr D shared with Loans 2 Go when he completed an income and expenditure assessment. This is pretty detailed and takes into account his payments on the other loans he had at the time. Even taking this into consideration, I can see, as Loans 2 Go assessed, Mr D had disposable income to repay his loans. It seems to me these loans were affordable at the time Mr D took these out.

I appreciate Mr D's very concerned at his overall financial picture. I accept his point he was spending a considerable amount of money on gambling. But as I noted, Mr D was earning an above average salary. He didn't tell Loans 2 Go he'd increased his gambling. I don't think it would be fair to hold Loans 2 Go responsible for that.

I've also looked at how Loans 2 Go approached Mr D when he was in arrears. It seems to me they held off taking possession of his car a number of times as Mr D kept promising to make further payments. But in the end their patience wore out. I'm not surprised they felt they had no choice but to take that final step.

Overall I've not seen anything which shows Loans 2 Go has done anything wrong here.

my final decision

For the reasons I've given, my final decision is not to uphold Mr D's complaint against Loans 2 Go Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 15 January 2018.

Sandra Quinn
ombudsman