

complaint

Mr M complains about a loan Loans 2 Go Limited lent to him. Mr M says he was vulnerable at the time and couldn't afford the loan.

background

Mr M took out a loan with Loans 2 Go in February 2016. The loan was for £500 secured against Mr M's car. The loan was due to be repaid over 12 monthly instalments of around £96.67, which meant that Mr M was due to repay a total of £1,160. Loans 2 Go waived £275 of the loan balance and the loan was deemed fully repaid in August 2016.

In September 2018, Mr M complained to Loans 2 Go about the loan. It didn't uphold his complaint. It said it carried out proportionate checks and responsibly lent to Mr M. Unhappy with the response, Mr M referred his complaint to this service. One of our adjudicator's thought about what both parties said and the circumstances around the loan. Our adjudicator didn't recommend that the complaint should be upheld.

Mr M disagreed and asked for an ombudsman's 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.

Before lending money to a consumer, a lender should take proportionate steps to understand whether the consumer will be able to repay what they're borrowing in a sustainable manner without it adversely impacting on their financial situation.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn't set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend. The key thing was that any checks needed to be proportionate and had to take into account a number of different things, such as how much was being lent and the term of the loan.

Loans 2 Go has provided evidence to show that it checked Mr M's payslip for three months before the loan, it asked him about his income and expenses and also searched his credit file. And based on what it saw from this Loans 2 Go thought it reasonable to lend to Mr M.

This was Mr M's first and only loan with Loans 2 Go, the results of Loans 2 Go's checks showed that Mr M was employed and was receiving a regular wage, his income at the time of the loan was around £1,071. I can see that Mr M told Loans 2 Go he lived with his father and declared a total expense of around £249. Loans 2 Go reviewed the declared expenses and added a buffer of £60 to Mr M's expenses – this left Mr M with sufficient disposable income to afford the loan repayments over the term.

The results of the search into Mr M's credit file didn't show that he had other credit commitments. Taking all these factors together, I don't think there were concerning signs in these results that should have prompted Loans 2 Go to take its checks further.

As explained above, Loans 2 Go didn't have prescribed checks it needed to carry out and there was no requirement for it to request Mr M's bank statements. It needed to satisfy itself that its checks were proportionate to the circumstances of the loan and that Mr M could likely afford the loan over the term. On the complaint form, Mr M says Loans 2 Go saw his bank statements, the evidence I've seen shows that Mr M provided his payslips and told Loans 2 Go his living expenses, I haven't seen evidence to show that these expenses were verified. I think Loans 2 Go thought the declared expenses were low and that's why it added the £60 buffer.

The checks showed that Mr M had sufficient disposable income to repay the loan over the term. There was also nothing on his credit file that suggested he'd struggle to repay the loan and the loan was for a relatively low amount compared to Mr M's declared income. Taking these factors together I think Loan 2 Go's checks were proportionate and I don't think it needed to do more.

Mr M has specifically said he was gambling and in severe depression at the time. I have no doubt that this was likely a difficult time for Mr M and I'm sympathetic towards that. On the other hand, I'm mindful that this wasn't information Loans 2 Go knew or ought to have reasonably known from what I consider to be proportionate checks in this case. Mr M didn't tell Loans 2 Go about his gambling or depression and from what I can see, Loans 2 Go's proportionate checks didn't reveal the information and so I wouldn't have expected it to react to it.

After the loan was lent, I can see that Mr M had difficulties repaying the loan and Loans 2 Go waived £275 of the outstanding balance. I don't think it has acted unfairly when it lent to Mr M and it appears to have to have acted positively when Mr M had financial difficulties. So, I won't be asking it to do anymore.

I appreciate that my findings are likely to disappoint Mr M but based on the circumstances of this loan and what Loans 2 Go knew and ought reasonably to have known about him at the time, I don't think it was wrong to lend to him.

my final decision

For the reasons stated above, I do not uphold Mr M's complaint or make any award against Loans 2 Go Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 October 2020.

Oyetola Oduola
ombudsman