

## **complaint**

Mr B complains that Loans 2 Go Limited lent to him in an irresponsible manner.

## **background**

The background to this complaint was set out in the provisional decision I issued in October 2020. An extract from this is attached and forms part of this final decision, so I will not repeat that information here.

In my provisional decision I set out why I didn't think the complaint should be upheld. I invited both parties to let me have any further comments and evidence. Neither party have provided me with anything further in response to that provisional decision.

## **my findings**

I've once more considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Given that neither party has provided me with any new evidence or further comments I see no reason to alter the conclusions I reached in my provisional decision.

For the reasons given in my provisional decision, I don't think it was unreasonable for Loans 2 Go to approve Mr B's application for the loan. So I don't uphold his complaint.

## **my final decision**

For the reasons given above, and in my provisional decision, I don't uphold the complaint or make any award against Loans 2 Go Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 17 January 2021.

Paul Reilly  
**ombudsman**

## EXTRACT FROM PROVISIONAL DECISION

### complaint

Mr B complains that Loans 2 Go Limited lent to him in an irresponsible manner.

### background

Mr B was given a single loan by Loans 2 Go. In October 2017 he borrowed £400 and agreed to repay the loan in 18 monthly instalments. It appears that Mr B failed to make a couple of his early repayments when they were due, but his loan was fully repaid in May 2018.

Mr B's complaint has been assessed by one of our adjudicators. Whilst she thought that the checks Loans 2 Go did before agreeing the loan were proportionate, she thought the checks showed that Mr B would be unlikely to be able to repay the loan in a sustainable manner. So she didn't think the loan should have been agreed. Our adjudicator asked Loans 2 Go to pay Mr B some compensation.

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.

### my provisional findings

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 B's complaint.

The rules and regulations at the time Loans 2 Go gave this loan to Mr B 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 B. In practice this meant that Loans 2 Go had to ensure that making the repayments wouldn't cause Mr B 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 B.

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 B.

Loans 2 Go gathered some information from Mr B before it agreed the loan. It asked him for details of his income, and his normal expenditure and verified these by checking his bank statements for the previous two months. And it checked his credit file to assess how much he was repaying to other creditors.

The check of Mr B's credit file showed that although he had few open accounts, he had struggled in the past to make all his repayments when they were due. That might be, as Loans 2 Go suggests, because of an isolated problem. But it could also have been a symptom of deeper problems with Mr B's finances. So since Mr B was entering into a significant commitment with Loans 2 Go, and he would need to make monthly repayments for a period of 18 months, I would expect that Loans 2 Go would want to gather, and independently check, some detailed information about Mr B's financial circumstances before it agreed to lend to him.

As I said earlier, Mr B provided Loans 2 Go with copies of his bank statements for the two months prior to him requesting the loan. And I can see that Loans 2 Go did use at least some of the information on those statements when looking at whether it should lend to Mr B. So I think that the checks Loans 2 Go did before agreeing the loan were proportionate.

But simply doing proportionate checks isn't enough. A lender also needs to react appropriately to what those checks show. So I've looked at the bank statements Mr B gave to Loans 2 Go, and the results of its credit check, to see whether it was reasonable to give him this loan.

It seems that the income figure that Loans 2 Go relied on is supported by the information shown on Mr B's bank statements. And his normal day to day expenditure estimates are similar to what his bank statements show, assuming that the large cash withdrawal Mr B made was to pay some of those expenses. As he doesn't seem to be paying those expenses elsewhere on his statements I think that is a reasonable conclusion. So that would suggest that Mr B was able to afford the repayments he would need to make on this loan. Mr B's bank account was well run, with no evidence of unpaid transactions, or unauthorised overdrafts.

The credit check results that Loans 2 Go received did show that Mr B hadn't always managed his credit well. Although the check didn't show Mr B was using credit heavily, three accounts showed late or missed payments earlier in the year. And Mr B had taken, and repaid three short term loans relatively recently. But Mr B's credit accounts were now all up to date so, on balance, I don't think any concerns raised by the credit report should have been so great that Loans 2 Go should have declined Mr B's loan application.

The only other area that I need to address is what appears to be some gambling expenditure on Mr B's bank statements. I can see that in each of the two months covered by the statements Mr B spent a large proportion of his disposable income on gambling transactions. But that expenditure was made on just a single day each month. And the amounts that Mr B spent appear to reflect the amount of money that he had left over. I don't think that pattern of spending suggested that Mr B was in some way addicted to gambling, or that he would be reliant on gambling winnings to repay his borrowing. I think it would be reasonable for Loans 2 Go to conclude, based on the expenditure patterns shown on the bank statements, that Mr B could simply reduce his gambling expenditure to allow him to afford the loan repayments.

So taking all that into account I don't currently think it was unreasonable for Loans 2 Go to approve Mr B's application for this loan. I don't intend to uphold his complaint.