

complaint

Mr J complains that Loans 2 Go Limited ("L2G") irresponsibly gave him a loan he can't afford to pay at a time when he was vulnerable.

background

Mr J was given a loan of £500 in December 2017. The loan was to be repaid in 18 monthly instalments of £113.28 and it had an APR of 990.1%.

One of our adjudicators looked at Mr J's complaint. She thought that proportionate checks would've stopped L2G from giving Mr J this loan and so he upheld the complaint.

L2G disagreed with our adjudicator's assessment. So the case was passed to an ombudsman.

my 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 explained how we handle complaints about short term lending on our website. And I've used this approach to help me decide Mr J's complaint.

Having carefully considered everything I've been provided with, I'm upholding Mr J's complaint.

It's important to note that this was Mr J's first loan with L2G. And L2G has argued that a relatively light touch income and expenditure assessment was proportionate because it was for a small amount.

But while the amount Mr J borrowed was relatively small, the interest rate was extraordinarily high. And this meant that the total amount Mr J had to repay was substantially more than £500. In these circumstances, I don't think that a relatively light touch income and expenditure assessment was reasonable and proportionate. And instead I would've expected L2G to have verified at least some of the income and expenditure information gathered.

In my view, if L2G had verified the income and expenditure information that Mr J provided he would more likely than not have shown Mr J was gambling significant sums of money and that he was unlikely to have the funds available to make the monthly repayments to this loan as and when they fell due. So I think that proportionate checks would more likely than not have shown that Mr J was unable to sustainably repay his loan.

As L2G is expecting Mr J to pay an extraordinary amount of interest on a loan that he shouldn't have been given, I think that Mr J lost out because of L2G's failure to carry out proportionate checks before providing this loan. This means I'm upholding Mr J's complaint and L2G needs to put things right.

what L2G should do to put things right

To put things right for Mr J, L2G should:

- reduce the starting balance on Mr J's loan to £500; and
- reduce the new starting balance on Mr J's loan account by the amount of any payments Mr J made. Once the new starting balance would've been cleared by Mr J's payments so far then any payments, or partial payments, made after this should be treated as overpayments; and
- refund any overpayments made if they were any;
- add interest at 8% per year simple on any overpayments, if they were any, from the date they were made to the date of settlement †;
- remove any adverse information recorded on Mr J's credit file if the payments he's already made are enough to have cleared the new starting balance;

†HM Revenue & Customs requires L2G to take off tax from this interest. L2G must give Mr J a certificate showing how much tax it's taken off if he asks for one.

I would like to remind L2G of its obligation to treat Mr J positively and sympathetically should an outstanding balance remain on Mr J's account – after the above is done – and it chooses to collect this.

my final decision

For the reasons given above, I'm upholding Mr J's complaint. Loans 2 Go Limited should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr J to accept or reject my decision before 29 November 2019.

Jeshen Narayanan
ombudsman