

complaint

Mr E complains that Loans 2 Go Limited irresponsibly lent to him.

background

From the information provided, Mr E took out two loans with Loans 2 Go. The first loan was taken in January 2018 for £250. The loan was due to run for 18 months with monthly instalments of £56.64. I understand that this loan was topped up into loan 2 in August 2018. Loan 2 was for £433.17, due to run for 18 months with monthly instalments of £98.14. There's still a balance outstanding on loan 2.

When Mr E complained to Loans 2 Go, it didn't uphold his complaint. Loans 2 Go said that it carried out sufficient checks and those checks showed Mr E could afford the loans. Unhappy with the response, Mr E referred his complaint to this service where it was looked at by one of our adjudicators.

Our adjudicator thought that Loans 2 Go didn't do enough before lending any of the loans and had it carried out sufficient checks, it's likely to have found that Mr E couldn't afford any of the loans.

Loans 2 Go disagreed and as the complaint hasn't been resolved it's been passed to me, an ombudsman for a 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. I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Loans 2 Go is aware of the regulatory framework relating to this type of lending as set out by the industry regulator. 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, including things such as how much was being lent and when what was being borrowed was due to be repaid.

Loans 2 Go says it checked Mr E's income and expensed before lending both loans. It also says it searched his credit file. And based on what it saw from this it thought it reasonable to lend. The credit file showed that Mr E was in arrangements to repay other creditors and he had a default recorded in 2012.

Both these loans were due to run for 18 months and I think given the length of time Mr E was committing to the credit agreement and Mr E's arrangements to pay other creditors, it would have been reasonable for Loans 2 Go to get a clear understanding of Mr E's financial circumstances at the time. I appreciate that Loans 2 Go has said it used a higher expenses figure compared to what Mr E declared at the time of the application, but I don't those

checks were enough to get a clear picture of Mr E's finances at the time and for Loans 2 Go to be confident that Mr E could sustainably repay both loans throughout their terms.

Mr E has provided copies of his bank statements from the time which I've used to understand his actual financial circumstances at the time. And at the time of loan 1, I can see that Mr E's income was around £1,800 and without taking into account his normal living costs, I can see that in the month before this loan, Mr E was borrowing from at least five other short term and high cost credit lenders and had at least £1,000 outstanding. I can also see that Mr E spent a significant amount on gambling, over £3,000.

This was a pattern that continued and at the time of loan 2, Mr E's income was around £1,967 and from what I can see, he owed more than £1,500 to other lenders and spent more than £700 on gambling. For both these loans, without taking into account Mr E's normal living cost, Mr E wasn't in a position to sustainably afford the loan repayments over the term.

And had Loans 2 Go taken its checks further, it's likely to have found that Mr E couldn't afford the loans as it seemed he was in a cycle of borrowing, and as a responsible lender, shouldn't have lent to him.

So, I don't think Loans 2 Go should have lent any of the loans to Mr E and it needs to put things right.

Putting things right

To put things right, Loans 2 Go should;

- refund all the interest and charges applied as a result of loans one and two;
- as there's a balance outstanding on loan 2, Loans 2 Go may use the refund from above to offset the outstanding balance;
- if the offset results in a surplus for Mr E then Loans 2 Go should add interest at 8% per year simple to any overpayments from the date they were paid, if they were, to the date of settlement†;
- if there's still an outstanding balance after the offset then Loans 2 Go should come to agree an affordable repayment plan with Mr E
- remove any adverse information recorded on Mr E's credit file as a result of the interest and charges on these loans.

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

my final decision

For the reasons given above, I uphold Mr E's complaint and require Loans 2 Go Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 3 March 2021.

Oyetola Oduola
ombudsman