

complaint

Mr M complains that Loans 2 Go Limited ("L2G") irresponsibly gave him a loan he couldn't afford to pay.

background

Mr M was given a loan of £250 in May 2018. The loan was to be repaid in 18 monthly instalments of £56 and it had an APR of 961%.

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

L2G didn't respond to 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 M's complaint.

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

Our adjudicator set out in some detail why he thought it would've been proportionate for L2G to have carried out further checks before agreeing to this loan. And he also set out why he thought L2G wouldn't have given Mr M this loan if it had carried out proportionate checks. As L2G didn't respond, I don't know what it thinks our adjudicator got wrong when he looked at the case.

In any event, my role here is to look at everything afresh and reach my own conclusions. And having reviewed everything provided, I also think that proportionate checks would've shown L2G that Mr M wasn't in any sort of financial position to be able to sustainably repay this loan.

In my view, proportionate checks would more likely than not have shown Mr M 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.

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

what L2G should do to put things right

To put things right for Mr M, L2G should:

- reduce the starting balance on Mr M's loan to £250; and

- reduce the new starting balance on Mr M's loan account by the amount of any payments Mr M made. Once the new starting balance would've been cleared by Mr M'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 M'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 M 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 M positively and sympathetically should an outstanding balance remain on Mr M'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 M'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 M to accept or reject my decision before 23 May 2019.

Jeshen Narayanan
ombudsman