

complaint

Miss Y complains that Loans 2 Go Limited provided her with a fixed sum loan that was unaffordable. She says Loans 2 Go should have realised the loan was unaffordable based on the information she provided.

background

Miss Y took out a £1,000 loan in July 2013 which was subsequently taken over by Loans 2 Go. This was repayable over 102 weekly instalments of £34.75. Miss Y says that at the time of the loan she was taking out payday loans and was in a debt management plan. She says that had proper checks been carried out it would have been clear that she could not afford the loan.

Miss Y says that when she applied for the loan she was required to show copies of her bank statements which showed she could not afford to repay the loan.

Loans 2 Go says that a thorough affordability assessment was carried out before the loan was provided including looking at Miss Y's bank statements. It says that based on this the loan was affordable. It says that a credit check was not required to be carried out and instead it relied on the information provided by Miss Y and in her bank statements.

Our adjudicator upheld this complaint. She said that the information Miss Y provided in her income and expenditure assessment did not match the information on the bank statement she provided. She said that based on Miss Y's bank statements Loans 2 Go would have seen Miss Y was gambling excessively. She thought that the business should have realised that it was not appropriate to lend to Miss Y as further credit would more than likely add detriment to her financial situation.

Our adjudicator recommended that Loans 2 Go refund Miss Y all the interest and charges on her account and remove all adverse information relating to the loan from Miss Y's credit file.

Loans 2 Go did not accept our adjudicator's view. It said that at the time the loan was taken the information provided showed Miss Y had an income from employment as well as receiving other income. It said that even taking Miss Y's gambling into account the loan was affordable.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Miss Y entered into a loan agreement in July 2013. Our adjudicator explained that as the loan was issued before 1 April 2014, it was subject to the guidance from the Office of Fair Trading (OFT) on irresponsible lending. While there were no set checks that needed to be carried out the guidance set out that a business should assess the customer's ability to repay a loan without incurring (further) financial difficulties.

Before providing the loan, an affordability assessment was carried out and Miss Y's bank statements were checked. While this could have been sufficient, given the information provided by Miss Y about her income and expenditure and the information contained in her

bank statements I think it would have been reasonable to carry out further checks to ensure the loan was affordable.

I say this because significant amount of Miss Y's income came from a family member and payments were then made back to this person. There was then additional income that appeared to be one-off amounts. I think this should have raised concerns and that further checks should have been carried out to establish Miss Y's regular income amount. Also, her statements showed she was spending substantial amounts on gambling with many transactions happening within a day.

Had further checks been carried out such as a credit check, Loans 2 Go would have realised that Miss Y had defaulted accounts and other debts. Following this loan Miss Y had further defaults applied suggesting her financial situation continued to decline.

Overall, based on the information Loans 2 Go gathered I think it should have been concerned that the loan would not have been sustainably affordable. Had further checks been carried out this would have shown this was the case. Because of this I uphold this complaint.

my final decision

My final decision is that I uphold this complaint. Loans 2 Go Limited should:

- refund all interest and charges Miss Y has paid;
- add 8% statutory interest to the refund from the date of payment until the date of settlement and;
- remove all adverse information about the loan from Miss Y's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss Y to accept or reject my decision before 17 January 2019.

Jane Archer
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