

The complaint

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

What happened

I issued a provisional decision relating to this complaint in October 2020. In that decision I explained why I thought most of Mr L's complaint should be upheld. Both parties have received a copy of that provisional decision, but in summary I said;

Mr L was given ten loans by Loans 2 Go between July 2017 and April 2019. Most of the loans were secured against Mr L's car. The loans were due to be repaid over periods between 18 and 36 months, but Mr L repaid each loan far earlier than planned. All his loans have been fully repaid. A summary of Mr L's borrowing from Loans 2 Go is as follows;

Loan Number	Borrowing Date	Repayment Date	Loan Amount	Number of Instalments
1	12/07/2017	18/07/2017	£ 1,250	18
2	01/08/2017	09/08/2017	£ 1,250	18
3	07/08/2017	08/08/2017	£ 500	18
4	14/09/2017	29/12/2017	£ 1,250	18
5	14/09/2017	29/12/2017	£ 700	18
6	02/03/2018	30/03/2018	£ 1,250	18
7	15/06/2018	24/10/2018	£ 1,000	36
8	16/01/2019	14/03/2019	£ 1,000	18
9	21/01/2019	14/03/2019	£ 1,250	24
10	01/04/2019	06/04/2019	£ 1,000	18

I explained the relevant regulations that Loans 2 Go needed to follow when lending to Mr L, and that at different stages of their relationship different levels of checks might be appropriate.

I didn't think that the checks Loans 2 Go had done before agreeing any of the loans had been proportionate. I thought it needed to do more to independently check the true state of Mr L's finances. But I didn't think that alone meant the complaint should be upheld. So I looked at copies of Mr L's bank statements from the time to give me a good idea of what better checks might have shown.

I didn't think Mr L's bank statements, around the time of the first three loans, suggested that he was facing any significant financial stress. His account was maintained in credit, and there weren't any instances of payments being returned due to insufficient funds. His statements didn't show that he was borrowing from other lenders in an unsustainable manner. So I didn't think Loans 2 Go had been wrong to give the first three loans to Mr L.

But by the time of the fourth loan, Mr L's bank statements clearly showed the real problems that he was facing with his finances. He was borrowing from a number of other short term lenders. And his bank statements clearly showed that he was using those loans to support a significant level of spending on gambling transactions. In the two weeks before he took loans 4 and 5 Mr L spent more than four times his normal income on transactions of this nature. So I thought it would have been clear from better checks that Mr L would be unlikely to be able to repay any new borrowing sustainably.

Mr L continued with a pattern of frequent borrowing and repaying early for the remainder of his relationship with Loans 2 Go. And his bank statements showed his financial situation remained just as difficult. He continued to borrow from a range of other lenders, using the money to support his gambling expenditure. So I didn't think Loans 2 Go should have agreed to lend to Mr L from loan 4 onwards. I thought Loans 2 Go needed to pay Mr L some compensation.

Mr L has told us that his financial situation was just as difficult at the time of the first three loans as I have found it was at the time of the later loans. But he agrees those problems might not have been apparent from his bank statements at the start of his relationship with Loans 2 Go. So he accepts my provisional findings.

Loans 2 Go hasn't provided us with any further evidence or comments following my provisional decision.

What I've decided – and why

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

Given that Mr L has accepted my provisional findings and Loans 2 Go hasn't provided me with any further evidence or comments I see no reason to alter the conclusions I reached in my provisional decision.

It follows that I don't think Loans 2 Go should have agreed to lend to Mr L from loan 4 onwards and that it needs to pay him some compensation.

Putting things right

I don't think Loans 2 Go should have agreed to lend to Mr L after, and including, the loan that he took on 14 September 2017 (loan 4). So Loans 2 Go should;

- refund all the interest and charges Mr L paid on loans 4 to 10.
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement†
- remove any adverse information recorded on Mr L's credit file in relation to the loans.

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

My final decision

My final decision, for the reasons given above and in my provisional decision, is that I uphold most of Mr L's complaint and direct Loans 2 Go Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 16 December 2020.

Paul Reilly
Ombudsman