DRN-4651457

Financial Ombudsman Service

The complaint

Miss R complains that Loans 2 Go Limited lent to her irresponsibly in May 2023.

Miss R says that she's been charged too much interest and wants a refund.

What happened

Miss R applied for a loan for £1,500 on 2 May 2023 and it was approved. It was a high interest loan to be repaid over twenty-four monthly instalments of £202 each, the first one commencing on 2 June 2023. She set up a Continuous Payment Authority (CPA) on her bank card for the payments to be taken the last day of each month, so a little earlier than the scheduled repayment dates. The first was scheduled to be 31 May 2023. It coincided with her payday date.

On 3 May 2023 Loans 2 Go has told us that Miss R used the on-line portal to make a withdrawal request. Miss R made an affordability complaint to it on 6 May 2023 and I have seen a copy of that complaint email from Miss R. Then Miss R's withdrawal request was acknowledged by Loans 2 Go on 11 May 2023.

The loan was settled on 2 June 2023 and confirmed as having been withdrawn and settled by an email from Loans 2 Go to Miss R on 3 June 2023.

The loan was due to have incurred just under £3,348 in interest but as Miss R paid it off 23 months early the interest cost was £141.98.

As previously mentioned, it was on 6 May 2023, Miss R made a complaint to Loans 2 Go. Miss R wanted to know why it had lent to her at all. Later the additional point about the interest refund was added to the complaint. Miss R wanted a refund of interest as her understanding was that none would be charged following withdrawal.

Loans 2 Go responded with a final response letter (FRL) on 7 June 2023 in which it did not uphold Miss R's complaint and gave reasons why it considered it had conducted the appropriate checks. It reminded Miss R she was required to be accurate in her application.

Loans 2 Go did want to assist and offered £50 as a refund. That offer has been withdrawn.

Miss R did not accept the outcome offered and referred her complaint to the Financial Ombudsman Service.

She stipulated in her complaint form that she was complaining about irresponsible lending.

And she said as well:

> *'I paid the loan back within a month as my partner got a loan out to pay this off for me due to the ridiculously high interest rates, this means I should not have paid any interest on the loan however I have ended up paying an additional £141.98 which I would like back and the company are refusing to give back'*

One of our investigators reviewed the complaint. He asked Loans 2 Go for more information on the withdrawal and whether Miss R had made any telephone calls to Loans 2 Go about this. Having received the details which included a recording of the telephone call Miss R had with Loans 2 Go on 3 June 2023, our investigator did not think that either of the complaint points should be upheld.

Dissatisfied with this outcome, Miss R asked for an ombudsman to consider her complaint. It was passed to me to decide.

After I had reviewed the complaint I wanted more information from Loans 2 Go which has been sent to me.

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.

We have set out our general approach to complaints about unaffordable/irresponsible lending - including all the relevant rules, guidance, and good industry practice - on our website.

Taking into account the relevant rules, guidance, and good industry practice, what I need to consider in deciding what is fair and reasonable in the circumstances of this complaint are whether Loans 2 Go completed reasonable and proportionate checks to satisfy itself that Miss R would be able to repay the loan in a sustainable way? And, if not, would those checks have shown that Miss R would have been able to do so?

If I determine that Loans 2 Go did not act fairly and reasonably in its dealings with Miss R and that she has lost out as a result, I will go on to consider what is fair compensation.

The rules and regulations in place required Loans 2 Go to conduct a reasonable and proportionate assessment of Miss R's ability to make the repayments under this agreement. This assessment is sometimes referred to as an "affordability assessment" or "affordability check."

The checks had to be "borrower" focused – so Loans 2 Go had to think about whether repaying the loan would be sustainable and/or cause significant adverse consequences for Miss R. In practice this meant that Loans 2 Go had to ensure that making the payments to the loan would not cause Miss R undue difficulty or significant adverse consequences.

In other words, it was not enough for Loans 2 Go to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Miss R. Checks also had to be "proportionate" to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the circumstances of the applicant (e.g., their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking.

Even for the same customer, a proportionate check could look different for different applications.

I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* Miss R's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);

- the *greater* the number and frequency of loans, and the longer the period during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I have carefully considered all the arguments, evidence and information provided in this context and what this all means for Miss R's complaint.

Irresponsible lending

The application details show me that Miss R told Loans 2 Go that she was earning £2,200 each month. Loans to Go checked her income using an on-line income verification tool and chose to use a lower figure of £1,692 each month. That was the minimum figure it had established Miss R received as income and so it used that which is fair and reasonable.

Miss R told Loans 2 Go her monthly outgoings: home costs £350, utilities £20, transport £50 and groceries £83 a month. She also told them that her credit commitments were £200 each month and her other regular expenditure was £120 each month. So, Miss R told Loans 2 Go her total monthly outgoings were £823.

Loans 2 Go increased Miss R's declared overall expenditure figure from £823 using its research on the credit report it obtained, plus it used Office of National Statistics data. The figure it used for Miss R's expenditure was £1,270.03 each month. It explained:

> *'L2G uses information from the Office of National Statistics (ONS) on UK consumer average expenditure to determine what amount of expenditure is deemed reasonable. Where an applicant spends less than the ONS figure, L2G [as a responsible lender] replaces the applicant's declared figure with the higher figure from ONS. This ensures the applicant can still afford to repay the loan should their expenditure increase to the figure obtained from ONS.*
>
> *…Following an extensive review of your application, in addition to your credit file, we calculated your monthly expenses to be around £1,270.03. Therefore, the contractual loan repayment of £202 per month would have still been affordable.'*

As for the credit search Loans 2 Go carried out, then for a £1,500 loan repayable over two years it would be proportionate to have checked on Miss R's debt situation and it did that by obtaining the credit search.

The credit search report told Loans 2 Go that that Miss R had a total debt situation of around £18,000, most of which was a hire purchase (HP) finance account. Loans 2 Go would have seen that the current HP agreement was her third one in succession. It was being paid off satisfactorily. This is a different type of debt as its secured on an asset.

Other debt on the report related to six credit or store cards and several mail orders accounts. These had good repayment records apart from one in which she appeared to have had some trouble repaying about a year before the loan. The repayments on the mail order were low and the credit cards had capacity meaning not many of them were at or near their credit limits. Overall, Loans 2 Go could see that she was up to date with payments, that she was not in any sort of insolvency arrangement and had no County Court Judgments against her.

The credit report did show a history of Miss R having used in the past short term lenders for loans and there had been two which had defaulted. One related to a loan taken in July 2019. It is unclear when the default was registered. The other related to a loan taken in January 2020. Miss R was in an arrangement to pay with that loan and it appears to have defaulted about May 2021.

Loans 2 Go is the sort of lender which provides loans for customers who may have an impaired credit history. So, these two defaults from years before were not likely to have been ones that would have led it to refuse the loan or to have considered it needed to delve deeper into Miss R's financial situation.

I consider that Loans 2 Go carried out proportionate checks, it acted on the information it gathered, and offered the loan. I consider that was a fair and reasonable approach by Loans 2 Go. Miss R took the loan offered, which she had applied for, and then withdrew from it having realised it was interest she was not prepared to pay over the length of the two year term.

And in a follow-up email from Miss R to Loans 2 Go on 12 May 2023, seen by me recently, I note she raised an issue surrounding her gambling. This has not been part of the complaint she has brought to the Financial Ombudsman Service but I think it's worth explaining our approach to Miss R. It would have been disproportionate for me to expect Loans 2 Go to ask for copy bank account statements for this loan application.

And so, it is not likely that Loans 2 Go would have known of any gambling transactions Miss R has mentioned. And I would not have expected it to have known. There is no evidence that Miss R told Loans 2 Go before the loan was approved of these transactions. So, this submission by Miss R is not persuasive that Loans 2 Go ought not to have lent to her in the first place because of gambling. I hope Miss R seeks, or has sought, the assistance offered to help her with this.

I do not uphold Miss R's complaint about the irresponsible lending part of the complaint.

High interest

Miss R was concerned about the level of interest charged. But having reviewed the information Miss R was given about the loan before she signed the agreement then I am satisfied that the interest (over £3,300) was made clear to her. Added to which, she was fully aware of her ability to withdraw from the Loans 2 Go loan within a certain period. She did do that soon after taking the loan.

The withdrawal

I have read the terms of the agreement which provides for a customer to withdraw from the agreement within a certain period. Miss R did exercise her right to withdraw. Of course, the £1,500 she was lent had to be repaid and she did that.

The telephone call recording we have been sent by Loans 2 Go, which I have listened to, indicates that call took place on 3 June 2023. Miss R had explained on the call to the Loans 2 Go representative that she had paid all the loan off on 2 June 2023 using the website on-line account procedure. The Loans 2 Go representative confirmed it had received the £1,439.98 from Miss R on 2 June 2023.

The Loans 2 Go representative checked the records and said to Miss R that as she had withdrawn from the agreement soon after taking the loan in May 2023 then she was still within the 'withdrawal repayment period' as the 2 June 2023 was the 31st day. As stated in the agreement the daily interest due for withdrawal situations such as these was £4.58 which added up to be £141.98.

As Miss R had repaid the £202 by CPA on 31 May 2023, plus the balance of £1,439.98 (using the on-line method) the day before the telephone call on 3 June 2023, then that meant she had repaid a total of £1,641.98. That was the amount due and so the Loans 2 Go representative said that there was nothing left to pay and she would close the account straight away. Miss R asked for confirmation. That 3 June 2023 email was sent to Miss R. I have seen that email.

I have read the withdrawal terms in the terms and conditions of the agreement and it is correct that Loans 2 Go was able to charge £4.58 each day as interest so long as Miss R had correctly withdrawn – meaning within the right period. Miss R had done that.

I have reviewed the dates and calculations and they are correct so I am satisfied that Miss R paid the correct amount by CPA and on-line payment which together added up to the total owed. The withdrawal terms do provide for daily interest. No error has been made by Loans 2 Go here.

There is reference in the FRL to a five day period available to Miss R to return the funds (interest free) should she have changed her mind about the loan. The FRL says it was in the contract but I have not found any reference to the five day interest free period in the version of the agreement I have been given. However, having asked for more information about this, Loans 2 Go's answer has alerted me to the likelihood that this may have been a detail Miss R found on the Q&A part of the Loans 2 Go website. But this may be an academic point anyway and I explain why I think that here.

Having recently received a copy of Miss R's initial email of complaint dated 6 May 2023, I note that she was asking for the interest to be written off and for a £1 a month repayment plan to be set up. This indicates to me that Miss R was not likely in the position to be able to refund Loans 2 Go quickly having withdrawn from the agreement. So, it seems unlikely Miss R was going to be able to repay the £1,500 within five days to gain that interest free incentive provision. Miss R did not repay it all until 2 June 2023. And so, this five day period is academic when looking at Miss R's circumstances.

My conclusion is that Miss R and Loans 2 Go both seem to agree that Miss R withdrew from the loan soon after loan approval. But she did not repay it until 2 June 2023 and so the daily interest charge was added correctly to the £1,500 she had taken. So, no refund is due back on that element.

I do not uphold Miss R's complaint.

My final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 15 May 2024.

Rachael Williams
Ombudsman