

The complaint

Miss P complains that Loans 2 Go Limited ('Loans 2 Go') irresponsibly gave her a loan that she couldn't afford.

What happened

On 22 March 2021, Miss P took out a loan for £1,000, over a term of 18 months, with a monthly premium of £180.56 and an APR of 556.9% (fixed).

In 2023, Miss P complained to Loans 2 Go to say that she was given a loan she couldn't afford to repay. The loan fell into arrears and was sold to a third party on 26 April 2022.

Our investigator recommended the complaint not be upheld. Miss P didn't agree and so, the complaint was passed to me for a final decision.

I issued my provisional decision on 22 February 2024 in which I said I was minded to uphold the complaint. I set out an extract below:

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

Prior to granting credit, Loans 2 Go needed to ensure the borrowing was likely to be affordable for Miss P. To do so, it was required to consider things such as her income and financial commitments.

Loans 2 Go hasn't been able to provide us with much detail about the checks it completed when it opened the credit card, nor when it increased Miss P's limit. However, I'm satisfied that reasonable affordability checks at the time ought to have at least included getting some understanding of Miss P's income and her existing credit commitments.

Loans 2 Go have provided details of the credit check and income and expenditure checks they performed at the time of application. The credit report showed evidence of a number of accounts showing adverse management and 2 CCJ's. The earliest CCJ was for £2955 and was dated 21 November 2018. The second CCJ was for £2,914 and was dated 2 November 2020.

The information and evidence Loans 2 Go received and procured showed that at the time of applying for the loan Miss P was indebted and wasn't managing her borrowings well. The most recent CCJ was for a significant sum, nearly three times the amount of the loan Miss P was applying for, and was given a little over four months before Loans 2 Go agreed the loan. So, I think that the proximity of this to the application for more credit ought to have caused Loans 2 Go to question Miss P's ability to take on more credit, so soon after failing with other finances. At the least I think it ought to have led Loans 2 Go to make more searching enquiries into Miss P's finances before agreeing to the loan.

Miss P has provided copies of her bank statements for the three months before the loan was agreed. They show the errors of the income and expenditure calculations performed to support Miss P's application. Miss P's bank statements clearly show that her expenditure significantly exceeded her income each month in the three months prior to the loan.

So, I think that proportionate checks would likely have shown Loans 2 Go that, despite its own process for calculating affordability, Miss P was in difficulty with managing her finances alongside her other commitments and day-to-day living expenses.

Had Loans 2 Go made more searching enquiries into Miss P's finances, which I consider it ought to have here, I fail to see how it could possibly have concluded anything other than the new credit being unaffordable and unsustainable. Miss P was clearly already in financial difficulty and over-indebted and appropriate checks would likely have revealed this to Loans 2 Go. So, I think Loans 2 Go acted unfairly in agreeing the loan.

So, for the above reasons I uphold Miss P's complaint about Loans 2 Go. And so, Loans 2 Go should put things right.

Putting things right

As I don't think Loans 2 Go ought to have lent Miss P the loan in this complaint, I don't think it's fair for it to be able to charge any interest or charges under the credit agreements. But I think Miss P should pay back the amounts she has borrowed.

To settle Miss P's complaint Loans 2 Go should do the following:

- *To add up the total amount of capital Miss P received as a result of having been given the loan. If any repayments were made these should be deducted from this amount.*
- *If Miss P has paid back more than the capital she borrowed, any overpayments should be refunded to her along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Loans 2 Go should also remove all adverse information regarding this credit from Miss P's credit file.*
- *Or, if after the rework there is still an outstanding balance, Loans 2 Go should arrange an affordable repayment plan with Miss P for the remaining amount. Once Miss P has cleared the balance, any adverse information in relation to the credit should be removed from her credit file.*

**HM Revenue & Customs requires Loans 2 Go to deduct tax from any award of interest. It must give Miss P a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax."*

I asked the parties to the complaint to let me have any further representations that they wished me to consider by 7 March 2024. At the time of writing, neither party has acknowledged receiving the provisional decision, made a further submission or asked for an extension to do so. I consider that both parties have had time sufficient to have made further submissions had they wished to do so.

So, I'm proceeding to my final 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.

Having considered afresh all the submissions made to me in this case and given that there's no new information for me to consider following my provisional decision, I have no reason to depart from those provisional findings. So, I have nothing further to add.

Putting things right

Loans 2 Go Limited should put things right in the way set out above.

My final decision

For the reasons set out, I'm upholding Miss P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 5 April 2024.

Douglas Sayers
Ombudsman