

## **The complaint**

Miss B complains that Loans 2 Go Limited (L2G) lent to her irresponsibly.

## **What happened**

Miss B applied for a loan with L2G in August 2022. L2G approved the application and gave Miss B a loan of £2000 repayable over 24 months at £269.33 per month.

Miss B complained that L2G had lent to her irresponsibly.

L2G issued a final response in January 2024. It said it hadn't made an error in lending to Miss B because it had carried out reasonable and proportionate checks and had found the lending to be affordable. L2G said that as a gesture of goodwill it would reduce the amount of interest payable under the agreement by 25%, reducing the outstanding amount from £2,853.76 to £1,737.78.

Miss B remained unhappy and brought her complaint to this service.

Our investigator upheld the complaint. He said he didn't think L2G had carried out proportionate checks, and that had it done so, these checks would've shown that Miss B wouldn't be able to repay the loan sustainably. The investigator said that L2G should cancel the loan and refund interest.

L2G didn't agree. It said that checks carried out on Miss B's credit report showed that she was up to date with payments on all active credit agreements with no CCJ's, arrears or defaults. L2G said that for this reason it didn't request further information from Miss B because the checks carried out showed that the loan was affordable.

## **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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind in considering what's fair and reasonable here.

Before agreeing to lend, the rules say that L2G needed to carry out reasonable and proportionate checks to ensure Miss B could afford to repay the loan in a sustainable way. These checks need to be focussed on the borrowers' circumstances. The nature of what's considered reasonable and proportionate will depend on various factors including the amount of credit, the total sum repayable, the amount of repayments, the cost of credit and the consumers individual circumstances.

There's no set list of checks a lender must complete. But lenders are required to consider the factors I've mentioned above when considering what's reasonable and proportionate.

Did L2G carry out reasonable and proportionate checks?

L2G says it looked at the information Miss B provided about her monthly income and expenditure. Miss B declared monthly income of £2,600. L2G says it checked this using an online income verification tool and found that Miss B received a minimum monthly income of £1,851.84. L2G reviewed Miss B's credit file and calculated her monthly expenses to be around £1,322.41.

L2G also carried out a credit check using a credit reference agency. It obtained information about Miss B's other accounts and total credit commitments. The credit check showed that Miss B didn't have any CCJ's or defaults. However, it did show that Miss B was in arrears on a loan which she held with another provider. The credit check also showed that Miss B had utilised most of her credit card limit in the six months leading up to the loan application. The credit check also showed that Miss B was utilising most of her current account overdraft of £2000.

I've thought about whether the checks carried out by L2G were reasonable and proportionate. On balance, I don't think they went far enough. I've explained why below.

L2G carried out checks to verify Miss B's income. The online income verification tool showed her income to be significantly less – over £750 per month less - than the income she'd declared. I think this should've raised concerns and prompted L2G to request and check Miss B's bank statements.

The credit check shows that Miss B had taken out payday loans in April, May, June and July 2022 – so within the six months leading up to the loan application. I think the fact that Miss B was regularly borrowing small amounts at high interest should've prompted L2G to carry out further checks.

The credit check showed that Miss B had a high level of existing debt. Given the discrepancy between Miss B's stated income and what the income verification tool showed her income to be, as well as the recent and regular reliance on payday loans, I think L2G should've carried out further checks to make sure the loan was affordable for Miss B.

Taking all of this into account, I don't think L2G carried out reasonable and proportionate checks. So, I've gone on to consider what reasonable and proportionate checks would've shown.

#### Would reasonable and proportionate checks have shown the loan to be affordable?

This service asked Miss B to provide details of her income and expenditure for the three months leading up to the loan application. Miss B provided her bank statements to show this information.

The bank statements are an accurate reflection of Miss B's income and expenditure. They show that Miss B was utilising most of her current account overdraft of £2000 and most months she exceeded the limit. They also show that Miss B was using payday loans regularly in the months leading up to the loan application, and that she was paying the minimum payments on her credit cards.

The bank statements show that Miss B was reliant on credit and unlikely to be able to sustainably afford to repay the loan. The bank statements show that Miss B had average monthly income of £1500. L2G had calculated Miss B's monthly expenses as £1,322. The loan repayment was £269 per month. It's clear that Miss B didn't have sufficient disposable income to meet the loan repayments from the outset.

Based on what I've seen from the bank statements, and taking into account the information

obtained by L2G, I don't think the loan was affordable for Miss B.

### **Putting things right**

I've explained above why I think L2G has lent irresponsibly to Miss B. Miss B has had the benefit of the loan, and it's right that she repays the capital sum. However, because the lending was irresponsible, L2G must:

Add up the total amount of money Miss B received as a result of being given the loan. Deduct the repayments made by Miss B from this amount.

(a) if this results in Miss B having paid more than she received, any overpayments should be refunded along with 8% simple interest calculated from the date the overpayments were made to the date of settlement \*

(b) if any capital balance remains outstanding, L2G must arrange an affordable repayment plan with Miss B

Remove any negative information from Miss B's credit file

Pay £100 for the distress and inconvenience caused to Miss B

\*HMRC require L2G to take tax off this interest. L2G must give Miss B a certificate showing how much tax has been deducted if she asks for one.

### **My final decision**

My final decision is that I uphold the complaint. Loans 2 Go Limited must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 6 August 2024.

Emma Davy  
**Ombudsman**