

The complaint

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

What happened

From April 2019, Mrs B took out a series of four loans from L2G. The remaining balance on each one was repaid and topped up with additional money with the next one, so that by the fourth loan, the amount lent was £4,114, and the monthly repayment was £228 per month.

The schedule of loans, and the relevant data assessed by L2G is shown:

Date	Amount (starting balance)	Monthly Disposable Income (MDI)	Repayments	Notes	Time since last CCJ (October 2018)
April 2019	£500 (£2,056)	£244	£105	All payments made; one credit card in arrears (one missed payment)	Six months
August 2019	£900 (£3,702)	£311	£189	All payments made; three credit cards in arrears (4 missed payments), two mail order in arrears.	Ten months
February 2020	£1,000 (£4,114)	£1,463	£228	All payments made; no arrears on debts.	16 months
July 2020	£1,000 (£4,114) (repaid February 2022)	£645	£228	All payments made; one credit card in default (£586); no other arrears on debts.	21 months

County Court Judgments:

December 2016 – £817

January 2017 - £744

June 2017 - £261

October 2018 - £671

Mrs B complained. She said she was struggling at the time the loans were made. L2G couldn't have made the necessary checks and lent to her irresponsibly. She says L2G should refund the interest paid, plus 8% per annum interest on the payments she made.

L2G said they'd carried out all the necessary checks; including a check on the information provided by Mrs B; and how she managed historical credit - using a credit search. L2G only lent to customers who could afford the repayments. They checked affordability to ensure customers had enough monthly disposable income to meet their day-to-day expenses, leaving enough to repay the L2G loan.

L2G said they are a 'sub-prime' lender and therefore it wasn't unusual to see customers who didn't have a high credit score – the important thing was that L2G could assess their affordability.

Mrs B brought her complaint to us. Our investigator upheld it - as he saw there were four County Court Judgements (CCJs) showing on Mrs B's credit file. The most recent one was October 2018 – only six months before the first loan. So, he said the first loan, and subsequent loans, shouldn't have been given. He proposed some remedies to put Mrs B back in the position she would've been in had L2G not lent the money.

Mrs B agreed, but L2G didn't. The firm accepted that the first two loans could be remedied, but loans three and four shouldn't be so. They argued that by then, Mrs B's financial situation had improved; and the CCJs were historic.

Because L2G didn't agree, the complaint has come to me to consider.

I reached a provisional decision which said:

All lenders have an obligation to lend money responsibly. We have to check whether L2G acted in line within the Financial Conduct Authority (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision bearing in mind the information gathered and what the lender knew about the borrower's circumstances?
- And a reasonable and proportionate check would usually need to be *more* thorough:
 - the lower a customer's income, and the higher amount to be repaid.
 - the greater the number of loans and frequency of loans.
 - the longer the term of the loans

It's important to note that the checks must be proportionate to the amount being lent – so the higher the amount, the greater the checks must be, and the lower the amount, then fewer checks can be made.

I looked at the assessments done by L2G for each loan. And I can see:

Loan number one:

Mrs B appeared to have enough monthly disposable income (MDI) to make the repayments – as shown in the schedule. However, L2G could see she was in arrears on a credit card. And more importantly – the last of the CCJs was only six months previously. And for that reason, I don't think L2G should've lent the money without making more inquiries – this might have included looking at her bank statements, the credit card in arrears and her overall indebtedness with other lenders, for example.

Loan number two:

I can see that while Mrs B did appear to have enough MDI to make the repayments, importantly L2G could also see she was in arrears on three credit cards (with four missed payments on each) and with two mail order companies. And – the last CCJ was only ten months before that. So, again, given this, I consider L2G should made more inquiries of Mrs B in the same way as for loan number one.

Loan number three:

I can see that by this time, Mrs B's financial situation had improved - and L2G could see this. Her MDI had gone up significantly, and there were no reported arrears on her credit cards (or any other credit agreements). And – by that time, the last CCJ was 16 months old. And all the previous payments on Mrs B's loans from L2G had been made.

So on balance, I think it was reasonable for L2G to agree to the third loan based on the analysis they carried out.

Loan number four:

L2G could see Mrs B could make the payments. And while there was one credit card in default, the last CCJ was by then 21 months old. And all the previous payments on Mrs B's loans from L2G had been made. So again, on balance, I agree that L2G made the necessary checks for this loan.

So in summary, I'm persuaded that based on the assessments and data they saw, L2G lent responsibly on loan numbers three and four, but should've completed more checks for loan numbers one and two.

As my provisional decision is that L2G shouldn't have agreed the first two loans (without more checks), the firm should refund the interest charged on those two loans for the periods they were in operation (i.e. from April 2019 to August 2019 on loan number one; and from August 2019 to January 2020 on loan number two). Each loan should be re-worked separately.

If the reworks result in a credit balance on either loan (taken separately) this should be refunded to Mrs B along with 8% simple interest per year calculated from the date of each overpayment to the date of settlement. If a credit balance results, L2G should also remove all adverse information from Mrs B's credit file for those periods.

Responses to the provisional decision:

Both Mrs B and L2G accepted the 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.

As both Mrs B and L2G accepted the provisional decision; my final decision is unchanged from it and so L2G must do what is set out in it.

My final decision

I uphold this complaint. Loans 2 Go Limited must:

- Refund the interest charged on the first two loans for the periods they were in operation (i.e. from April 2019 to August 2019 on loan number one; and from August 2019 to January 2020 on loan number two). Each loan should be re-worked separately.
- If the reworks result in a credit balance on either loan (taken separately) this should be refunded to Mrs B along with 8% simple interest per year calculated from the date of each overpayment to the date of settlement.
- If a credit balance results, L2G should also remove all adverse information from Mrs B's credit file for the periods the first two loans were in operation.

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

Martin Lord
Ombudsman