

The complaint

Mrs J complained that Loans 2 Go Limited (“Loans 2 Go”) irresponsibly granted her a loan in October 2021 that she couldn’t afford to repay.

What happened

Mrs J took out the loan in October 2021. The amount was £250, and the monthly payment was £51.39 over an 18-month term.

Mrs J said Loans 2 Go didn’t carry out reasonable and proportionate checks before granting the loan, at a time when she was already in financial difficulties. She would like the loan interest and charges to be refunded, and her credit record amended accordingly.

Mrs J complained to Loans 2 Go about all this. Loans 2 Go said it had carried out the appropriate checks before granting the loan, and it told Mrs J that it did not uphold her complaint.

Mrs J then brought her complaint to this service. Our investigator looked into it but didn’t think it should be upheld. Mrs J didn’t agree, and asked for it to be reviewed by an ombudsman.

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, and I’ve taken this into account here.

I’ve decided not to uphold Mrs J’s complaint. I’ll explain why.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn’t a set list of checks required of a lender, but it needs to ensure the checks are proportionate when considering matters such as the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer’s circumstances. So I’ve considered whether Loans 2 Go completed reasonable and proportionate checks to satisfy itself that Mrs J would be able to make the repayments on the loan in a sustainable way.

Loans 2 Go sent in copies of the loan agreement and the information it used to assess Mrs J’s loan application, including her credit file, along with its notes of its contact with her. Mrs J sent in copies of a number of bank statements – but most of these do not relate to the period leading up to the loan so do not provide a picture of her circumstances at the relevant time. However, Mrs J has recently provided statements for the three months prior to the loan so I have taken these into account.

Loans 2 Go stated that it completed an income and expenditure assessment, income verification and a review of Mrs J's credit file before granting the loan.

I've looked at the credit file, and I can see that Mrs J had a number of open accounts, most of which involved relatively small balances. Her total borrowing was just under £7,000. Most of the accounts had had payments made on time – I saw an occasional missed payment, but as Loans 2 Go are a subprime lender I don't find it unusual that these would be accepted. No adverse information had been registered in the preceding six months in terms of defaults, and there were no County Court Judgments recorded.

Loans 2 Go said that Mrs J had declared a monthly income of £1,745, and it had verified via a credit reference agency that she received a minimum of just under £1,300. It estimated her total expenditure to be £1,073.21, based on the credit file and Mrs J's application, along with information from the Office of National Statistics. This left a disposable income of around £200, which was sufficient to cover the loan repayment of £51.39.

From all this, and taking into account the small amount Mrs J wanted to borrow, I'm satisfied that Loans 2 Go's checks were reasonable and proportionate in the circumstances, and I don't think there was anything to warrant more detailed checks, or to suggest that the loan repayments would've been unsustainable for Mrs J.

Nonetheless, as bank statements for July to September 2021 have been provided, I have reviewed them to see if there was any other information shown on them that Loans 2 Go ought reasonably to have been aware of and that might have affected its decision.

The statements show that Mrs J's income came from her employment and her state pension. Her total income was higher than that used in the affordability assessment – in July it was £1,685.43, August £2,073.83 and September £2,644.05. I don't have the details of all of Ms J's expenditure, but from the payments shown on the statements I can identify her credit commitments and some of her living expenses. These seem to be in line with Loans 2 Go's figure of just under £1,100. Mrs J's account was overdrawn for part of the time, but this was an arranged overdraft and was shown on Mrs J's credit file, which was considered in the lending decision. Overall, I can't see anything on the bank statements that contradicts what Loans 2 Go found in its assessment of Mrs J's loan application.

In summary, I consider that Loans 2 Go's checks were reasonable and proportionate, and that it didn't act unfairly in granting the loan based on those checks. So I don't uphold this complaint.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Loans 2 Go lent irresponsibly to Mrs J or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I've explained, I've decided not to uphold Mrs J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 26 July 2024.

Jan Ferrari
Ombudsman