

The complaint

Mr F complains that Loans 2 Go Limited lent irresponsibly when providing loans over the course of several years.

What happened

In November 2019 Mr F applied for a loan of £500 with Loans 2 Go. In his application, Mr F said he was employed with an income of £2,750. Mr F completed an income and expenditure assessment and provided details of his accommodation and living costs. Loans 2 Go completed a credit search and found Mr F owed around £13,000 to other lenders. No adverse credit like County Court Judgements (CCJs) or recent defaults were found. Loans 2 Go calculated that Mr F had a disposable income of £389.38 and could afford to make repayments of £114.28. Mr F made the monthly loan payments until July 2020 when he made an early settlement.

Mr F applied for another loan, this time for £600, with Loans 2 Go in September 2020. Mr F provided similar information to the previous application and the loan was approved by Loans 2 Go. The loan funds were returned by Mr F during the 14 day cooling off period and all interest was refunded.

In November 2020 Mr F applied for a loan of £500 with Loans2 Go. In his application, Mr F said he was employed with an income of £2,346. Loans 2 Go says Mr F's income was verified as £1,479.79 with the credit reference agencies. Mr F provided a new income and expenditure assessment setting out his monthly living costs. Loans 2 Go carried out a credit search and found Mr F owed around £9,100 to other lenders. No new adverse credit was found. Loans 2 Go calculated Mr F had a disposable income of £389.38 and could afford to make monthly repayments of £114.28. Mr F made his monthly payments until May 2021 when he applied for a new loan with Loans 2 Go.

In May 2021 Mr F applied for a loan of £573 from Loans 2 Go. Mr F said he was earning £2,500 a month. Loans 2 Go verified Mr F's income as £1,923 via the credit reference agencies. Mr F also completed another income and expenditure assessment, in line with his previous applications. Loans 2 Go completed a credit search and found Mr F owed around £10,175 to other lenders. No new adverse credit was found. Loans 2 Go calculated Mr F had a disposable income of £381.17 a month and was able to afford a monthly repayment of £131.06.

In May 2022 Mr F applied to borrow £800 from Loans 2 Go. In the application, Mr F said he was earning £3,000 a month. Loans 2 Go verified Mr F's income as £2,148 via the credit reference agencies. Mr F completed another income and expenditure assessment. And Loans 2 Go looked at Mr F's credit file and found he owed around £7,370 to other lenders. Loans 2 Go applied its lending criteria and calculated Mr F had disposable income of £464.54 and could afford a monthly repayment of £164.44. Mr F went on to repay the loan in October 2023.

Last year, representatives acting on Mr F's behalf contacted Loans 2 Go and complained it had lent irresponsibly. Loans 2 Go issued a final response on 2 November 2023 but didn't uphold Mr F's complaint.

Mr F's case was referred to this service and passed to an investigator who upheld it in part. Whilst they weren't persuaded Loans 2 Go had lent irresponsibly when it approved the first three loans Mr F applied for, they thought there were clear signs on his credit file when he applied for the fourth and fifth loans that should've shown he was struggling. The investigator thought Loans 2 Go lent irresponsibly when it approved Mr F's loans in May 2021 and May 2022. The investigator asked Loans 2 Go to refund all interest, fees and charges applied to those loans. Loans 2 Go asked to appeal, so Mr F's case has been passed to me to make a 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.

Before agreeing to lend, the rules say Loans 2 Go had to complete reasonable and proportionate checks to ensure Mr F could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I'll start by saying that as the loan Mr F applied for in September 2020 was repaid during the cooling off period before any payments were due and the interest was refunded in full, I'm not going to make a finding on whether Loans 2 Go lent irresponsibly or not as there was no loss to him.

I agree with our investigator's view that Loans 2 Go carried out reasonable and proportionate checks when considering the applications Mr F made in November 2019 and November 2020. Mr F's income was verified by way of the credit reference agencies and I'm satisfied an accurate figure was obtained. In addition, Mr F provided reasonably detailed income and expenditure assessments that contained realistic details of his outgoings. Loans 2 Go also checked Mr F's credit file and was aware of how much he owed and what his monthly repayments for servicing existing debts were. There was no evidence of recent adverse credit on Mr F's credit file. Taking all the available information into account, I'm satisfied Loans 2 Go carried out reasonable and proportionate checks before taking decision to approve the loans in November 2019 and November 2020. And I'm satisfied that both loans appeared affordable based on the information Loan 2 Go had available at the time. I haven't been persuaded that Loans 2 Go lent irresponsibly in November 2019 and November 2020.

In May 2021 Mr F went back to Loans 2 Go and applied to borrow £573. The information Mr F submitted was broadly the same as provided in his previous applications. And Mr F had a good track record of making payments to Loans 2 Go by this point. But I think Mr F's credit file showed clear signs he'd become reliant on credit to make ends meet and was borrowing at an unsustainable rate. In the 12 months before his application, Mr F had taken out four new loans, totalling £1,700 and a new credit card.

Given the number of new applications Mr F made in the previous 12 months and amount of credit he already had available, my view is that it should've been clear to Loans 2 Go that he was unlikely to be in a position to sustainably make further repayments without causing financial hard. Having considered all the available evidence, I haven't been persuaded Loans 2 Go lent responsibly when it approved the loan application Mr F made in May 2021.

Mr F made his final application to Loans 2 Go in May 2022. Again, Mr F gave Loans 2 Go broadly the same information in his application and it carried out a credit search. Mr F's credit file shows his borrowing had increased since his previous application was made. Mr F's credit file shows he'd taken out nine new loans, totalling £3,309 in the previous 12 months. And I note the majority were high-cost payday loans. Mr F also successfully applied for two new credit cards and had built up an outstanding balance of around £800. I'm satisfied Mr F's credit file shows he was borrowing at an unsustainable rate at this point. In my view, the information on Mr F's credit file should've shown Mr F was very unlikely to be able to sustainably manage the repayments without causing financial harm. I'm satisfied the information Loans 2 Go had available should've led it to decline Mr F's application.

As I haven't been persuaded Loans 2 Go lent responsibly when it approved Mr F's loans in May 2021 and May 2022 I'm going to uphold his complaint and direct it to refund all interest, fees and charges applied.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have set out below results in fair compensation for Mr F in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

My decision is that I uphold Mr F's complaint and direct Loans 2 Go Limited to settle as follows:

- Add up the total amount of money Mr F received as a result of having been given the loans in May 2021 and May 2022. The repayments Mr F made should be deducted from this amount
- If this results in Mr F having paid more than he received, any overpayments should be refunded to him along with 8% simple interest per year* calculated from the date the overpayments were made until the date of settlement
- Loans 2 Go should also remove any adverse information regarding these accounts from Mr F's credit file
- Or, if after the re-work any capital balance remains outstanding, Loans 2 Go should arrange an affordable and suitable payment plan with Mr F for this amount. Once Mr F has cleared the balance, any adverse information in relation to the accounts should be removed from his credit file

*HM Revenue & Customs requires Loans 2 Go to deduct tax from any award of interest. Loans 2 Go must give Mr F a certificate showing how much tax has been taken off if he asks

for one. If Loans 2 Go intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

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

Marco Manente
Ombudsman