

The complaint

Mr M complains that Loans 2 Go Limited (L2G) irresponsibly lent to him.

What happened

Mr M was approved for a loan with L2G for £500, payable over 18 months. Mr M says that L2G irresponsibly lent to him, and he made a complaint to them. L2G did not uphold Mr M's complaint. They disagreed that lending to Mr M was irresponsible. They also said that on the application form they asked Mr M if he was currently benefiting from a breathing space moratorium or receiving treatment for any medical conditions, such as long-term illness, depression, stress or anxiety which may make him vulnerable or impact his ability to repay the loan, and Mr M replied with an answer of no. Mr M brought his complaint to our service.

Our investigator upheld Mr M's complaint. He said Mr M had financial difficulties as he was struggling to pay off his existing commitments, so he didn't think L2G should've proceeded with the loan. He said he was not convinced Mr M was able to sustainably afford the loan and continue clearing his debts as Mr M had defaulted many times before being approved for the loan, he was struggling financially, and he was in an unaffordable cycle of debt.

L2G accepted our investigator's view of the decision. Mr M asked for an ombudsman to review his complaint. He made a number of points. In summary, he said he can't afford to repay the loan, and this will cause him further debt, distress and inconvenience. Mr M said he's also been distressed by being chased by the debt management company (DMC) that L2G have passed his loan to. Mr M said he shouldn't have to repay anything, and he should be compensated for distress and inconvenience caused to him. He said he was homeless when he was approved for the loan, and he felt pressured by L2G to accept the loan.

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.

Firstly, I'm aware that I've only summarised Mr M's complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I've considered what Mr M has said about the DMC. But as this complaint is about L2G, he will need to contact the DMC to make a complaint with them directly. Mr M has commented about the debt being transferred to a DMC, however, the credit agreement under section 6(b) that he agreed to, allowed them to do this, so I can't say they've done anything wrong on this point.

As L2G have agreed with our investigator's view that the lending was irresponsible, then there is no decision for me to make on this point. So what I have considered, is Mr M's request to have the balance written off due to L2G not completing proper checks when

approving his application.

While I can understand Mr M's logic for this, it would not be proportionate for me to ask L2G to write off any of the remaining balance, even though they've conceded they shouldn't have approved Mr M for the loan. This is because the redress would remove all fees, interest and charges. So it is only fair to expect Mr M to repay the credit he has used. It would not be proportionate to make an award for distress and inconvenience in addition to the redress listed at the end of this decision, as I'm persuaded the redress awarded is the most appropriate outcome based on the circumstances of this complaint.

if there will be an outstanding balance after L2G reworks Mr M account, then L2G would not be expected to remove adverse information prior to the outstanding balance being fully repaid. This is because an outstanding balance will remain, and as Mr M would be expected to repay this, it is only fair for this to be reflected on his credit file so that future lenders can take into account what a consumer already owes when deciding whether to lend.

I've considered what Mr M has said about him not being able to afford to repay the loan, and this will cause him further debt, distress and inconvenience. This is why we've asked L2G to set up an affordable repayment plan with him. We would expect them to consider what Mr M tells them about his financial circumstances, and to not set up a plan which is unaffordable for him.

I've considered what Mr M has said about him being homeless and him feeling pressured to accept the loan. But as Mr M included an address for his application and he disclosed to L2G he'd been living there for a number of years, I can't say L2G should have been aware of him being homeless. I can't hold L2G responsible if Mr M has given L2G clear inaccurate information. I also can't see any interaction between Mr M and L2G prior to Mr M signing the application. It appears the application was made by Mr M online, and on a non-advised basis. He also had 14 days as a cooling off period if he changed his mind or felt pressured. So I can't conclude he was pressured to accept the loan.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed at the end of this decision results in fair compensation for Mr M 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.

Putting things right

Our investigator has suggested that L2G takes the actions detailed below, which I think is reasonable in the circumstances.

My final decision

I uphold this complaint. Loans 2 Go Limited should take the following actions:

Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied;

If the rework results in a credit balance, this should be refunded to Mr M 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 account from his credit file;

Or, if after the rework there is still an outstanding balance, Loans 2 Go should arrange an affordable repayment plan with Mr M for the remaining amount. Once Mr M has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

*If Loans 2 Go consider that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr M how much they've taken off. They should also give Mr M a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 September 2024.

Gregory Sloanes
Ombudsman