

Complaint

Mr P has complained about a loan Loans 2 Go Limited ("L2G") provided to him. He says L2G irresponsibly lent him this loan.

Background

One of our adjudicators reviewed what Mr P and L2G had told us. And she thought that L2G hadn't lent irresponsibly. Mr P disagreed and asked for an ombudsman's review.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr P's complaint.

Having carefully considered everything, I've decided not to uphold Mr P's complaint. I'll explain why in a bit more detail.

L2G needed to make sure that it didn't lend irresponsibly. In practice, what this means is L2G needed to carry out proportionate checks to be able to understand whether Mr P could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

L2G provided Mr P with a loan for £2,000.00 in August 2022. It had an APR of 320% and was to be repaid in 24 monthly instalments of just under £270, which meant the total amount to be repaid was £6,463.92. L2G says it agreed to Mr P's application after he provided details of his monthly income and expenditure. It says it cross-checked this against information on a credit search it carried out on Mr P.

The information Mr P provided about his income and expenditure showed he'd be able to comfortably make the repayments he was committing to. But it, in any event, adjusted Mr P's declarations to account for what its verification checks showed and this left enough for Mr P to be able to make his payments. L2G says, in these circumstances it was reasonable to lend. On the other hand, Mr P has said he shouldn't have been lent to.

I've carefully thought about what Mr P and L2G have said. While this may have been a first loan that L2G was providing, Mr P's previous difficulties with credit lead me to think that it needed to do more to establish that Mr P did have the funds to make the monthly payments to this loan.

However, I don't think that L2G doing more here would have altered its decision to lend to Mr P. I say this because having looked at the information provided, when Mr P's existing expenditure (including reasonable amounts for repayments towards his defaulted accounts) was deducted from his monthly income, he does at the time at least have had sufficient funds left over to make the monthly payments he was committing to.

I accept that Mr P appears to be suggesting that his actual circumstances may not have been fully reflected either in the information he provided, or the information L2G obtained. For example, he's said that he was paying £300 a month in child maintenance to his ex-partner. But I can't see how L2G would have found out about this. Particularly as this wasn't declared as part of Mr P's expenditure and these payments aren't immediately apparent on his bank statements.

It's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the circumstances here, I don't think that L2G did anything wrong when deciding to lend to Mr P, as I don't think that carrying out further checks would have prevented it from lending.

So overall I don't think that L2G treated Mr P unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr P's complaint. I appreciate this will be very disappointing for Mr P. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr P's complaint, I would remind L2G of its obligation to exercise forbearance and due consideration should Mr P be experiencing difficulty and it choose to collect payments from him.

My final decision

My final decision is that I'm not upholding Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 23 October 2023.

Jeshen Narayanan
Ombudsman