

Complaint

Mr W 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 investigators reviewed what Mr W and L2G had told us. And she thought that L2G hadn't lent irresponsibly. So she didn't uphold Mr W's complaint. Mr W's representative disagreed and asked for an ombudsman to look at the complaint.

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 W's complaint.

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 W 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 W with a loan for £450 in March 2020. It had an APR of 1,275.2% and was to be repaid in 78 weekly instalments of £23.73, which meant the total amount to be repaid was £1,850.94.

L2G says it agreed to Mr W'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 W. The information Mr W 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 W's declarations to account for what its verification checks showed and this left enough for Mr W to be able to make his payments. L2G says, in these circumstances it was reasonable to lend. On the other hand, Mr W's representative has said Mr W shouldn't have been lent to.

I've carefully thought about what Mr W and L2G have said. The first thing for me to say is that this was Mr W's first loan with L2G. The information provided does suggest Mr W was asked to provide details of his income and expenditure and L2G didn't just rely on what it was told.

Bearing in mind the amount of the repayments, the credit search not showing too much in the way of recent payment difficulties (there was a single missed payment in the recent past as well as historic significant adverse information including defaults and a county court judgement from 2015), Mr W's lack of any previous lending with L2G and the low monthly repayments, I don't think it was unreasonable for L2G to rely on the payments being affordable as, on the face of things, they did appear to be.

I accept that it's possible Mr W's actual circumstances may not be reflected in the information gathered. But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And, in this case, I don't think that L2G did anything wrong in deciding to lend to Mr W - it carried out reasonable checks and it was entitled to rely on the information it obtained.

I've also seen what Mr W has said about being asked for further information regarding loans with other lenders. I don't know the specifics of the cases Mr W is referring to. However, there are a number of factors that go into determining the level of checks that would be proportionate for a given application. And, in this case, I'm mindful of the relatively low payments and the fact that there was little in the way of recent indicators of difficulty in the information obtained.

So I'm satisfied that L2G was reasonably entitled to rely on the information it had and given what this showed as well as its lack of previous history with Mr W, I don't think it was unreasonable for L2G to provide this loan in the circumstances it did. As this is the case, I'm not upholding Mr W's complaint. I appreciate this will be very disappointing for Mr W. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 13 December 2023.

Jeshen Narayanan
Ombudsman