

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 adjudicators reviewed what Mr W and L2G had told us. And he thought that L2G hadn’t lent irresponsibly. So he 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 £600 in July 2019. It had an APR of 769.9% and was to due be repaid in 18 monthly instalments of £123.33, which meant the total amount to be repaid was £2,219.94.

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 were a couple of historic missed payments), 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. I know that Mr W has provided a copy of an alternative credit search and copies of bank statements which show that his financial position was worse than he'd let on.

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. This is particularly as there isn't even a requirement – notwithstanding the fact that it would be sensible to do so – to carry out credit checks in the first place.

L2G reasonably relied on this information it had and given the amount of the repayments involved and its lack of previous history with Mr W, I don't think it was unreasonable for L2G to provide this loan.

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 20 November 2023.

Jeshen Narayanan
Ombudsman