

Complaint

Mr H has complained about loans Loans 2 Go Limited (“L2G”) provided to him. He says L2G irresponsibly lent him these loans.

Background

One of our adjudicators reviewed what Mr H and L2G had told us. And he thought that L2G hadn’t lent irresponsibly. So he didn’t uphold Mr H’s complaint. Mr H’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 H’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 H 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 H with loans for £1,000.00 and £800 in April 2021 and December 2021. The loans were due be repaid in 18 monthly instalments of £228.56 and £164.44 respectively.

L2G says it agreed to Mr H’s applications after he provided details of his monthly income and expenditure. It says it cross-checked this against information on a credit searches it carried out on Mr H. The information Mr H provided about his income and expenditure showed he’d be able to comfortably make the repayments he was committing to. L2G says, in these circumstances it was reasonable to lend. On the other hand, Mr H has said Mr H shouldn’t have been lent to.

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

That said given the circumstances here, particularly the amount of the monthly repayments and the total charge for credit, I do think that L2G ought to have done more to find out about Mr H's actual expenditure. However, I don't think that L2G finding out more about Mr H's actual expenditure would have prevented it from lending to Mr H on either occasion.

I say this because the information Mr H has now provided now suggests the loan payments were affordable. His bank statements show me that he had enough funds to make the monthly loan payments once his committed non-discretionary expenditure was deducted from his income. So, in my view, even if L2G had gone into the depth of checks Mr H appears to be saying it should have – such as obtaining bank statements – I don't think that doing so would have resulted in it making different lending decisions.

I've also kept in mind that Lendable provided a second loan to Mr H and that sometimes repeat borrowing in itself can be an indication of difficulty. But loan 2 was for less than the amount of loan 1 and it consolidated some of what Mr H already owed into lower monthly payments at a much lower interest rate too.

So while the pattern of lending here has seen me take a closer look at the individual applications, I'm satisfied that it wasn't unfair for L2G to have provided loan 2 to Mr H in the circumstances that it did here.

I accept that it's possible Mr H's actual circumstances may not be reflected in the information provided or in his pattern of lending. 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, given everything I've seen suggests that the payments in question were affordable, I don't think that it was unreasonable for L2G to provide these loans.

As this is the case, I'm not upholding Mr H's complaint. I appreciate this will be very disappointing for Mr H. 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 H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 8 August 2023.

Jeshen Narayanan
Ombudsman