

Complaint

Miss S has complained about a loan Loans 2 Go Limited ("L2G") provided to her. She says the payments were unaffordable.

Background

One of our adjudicators reviewed what Miss S and L2G had told us. And he thought that L2G hadn't done anything wrong or treated her unfairly. So he didn't uphold Miss S' complaint.

Miss S disagreed and asked for an ombudsman to look at her 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 Miss S' complaint.

Having carefully considered everything, I've not been persuaded to uphold Miss S' complaint. I'll explain why in a little 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 Miss S 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 Miss S with a loan for £300 in April 2022. It had an APR of 770.1% and was to be repaid in 18 instalments of £61.67 which meant the total amount to be repaid was £1,110.06.

L2G says it agreed to Miss S' application after she provided details of her monthly income and expenditure. It says it cross-checked this against information on a credit search it carried out on Miss S.

The information Miss S provided about her income and expenditure showed she'd be able to make the repayments she was committing to. But it, in any event, adjusted Miss S' income

and expenditure information to account for what its checks showed and this still showed the required payments were affordable. L2G says, in these circumstances it was reasonable to lend. On the other hand, Miss S has said she was in financial difficulty.

I've carefully thought about what Miss S and L2G have said. The first thing for me to say is that this was Miss S' first loan with L2G. The information provided suggests Miss S was asked to provide details of her income and expenditure. Equally, L2G did carry out external checks and didn't simply rely on what it was told.

L2G carried out a credit search which showed some historic issues – namely historic defaults up to around 2020. But apart from some missed payments here and there Miss S' recent commitments were on the whole being reasonably maintained. Bearing in mind the amount of the repayments appeared affordable and Miss S' lack of any previous lending with L2G, I don't think it was unreasonable for L2G to proceed on the basis of the information it obtained as, on the face of things, it appeared to be accurate.

I accept Miss S' actual circumstances may not have been reflected in the information she provided and the other information L2G obtained. For example, Miss S has said that her income was much less than what was recorded at the time. But L2G could only make its decision based on the information it had available at the time.

I think that it is worth me explaining that L2G didn't solely rely on Miss S' declaration. It cross checked Miss S' declaration against the funds going into her account each month and it realised that Miss S' income had been overstated. So it used a lower amount than what Miss S declared – although I appreciate that this would have taken into account all of the funds going into Miss S' account not just her income.

Whilst I wouldn't go as far as saying that this was the same as verifying Miss S' income, I don't think that what L2G did was unreasonable for a first loan. And I don't think that it was unreasonable for L2G to rely on this information notwithstanding the fact that it was more than Miss S was receiving at the time.

At this stage of the lending relationship and bearing in mind the circumstances, I don't think proportionate checks would've extended into L2G asking Miss S to provide further information. At best, L2G perhaps should have asked Miss S about her more recent missed payments. But I've not been provided with anything that indicates doing so would have led to Miss S' application being declined.

Equally 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 Miss S - it carried out proportionate checks even though Miss S now argues that what she was provided was inaccurate and didn't tell the whole story.

L2G reasonably relied on this information and given its lack of history with Miss S, I don't think it was unreasonable for L2G to provide this loan. And I also say this while particularly mindful that even now I've not been provided with anything that clearly shows me the loan was unaffordable.

As this is the case, I'm not upholding Miss S' complaint. I appreciate this will be very disappointing for Miss S. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Miss S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 6 February 2024.

Jeshen Narayanan
Ombudsman