

Complaint

Ms T 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 Ms T and L2G had told us. And he thought that L2G hadn’t done anything wrong or treated her unfairly. So she didn’t uphold Ms T’s complaint. Ms T 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 Ms T’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 Ms T 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 Ms T with a loan for £1,500.00 in February 2021. It had an APR of 253.7% and was to be repaid in 24 instalments of £181 which meant the total amount to be repaid was £4,344.00.

L2G says it agreed to Ms T’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 Ms T. The information Ms T 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 Ms T’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, Ms T has said she was in financial difficulty.

I’ve carefully thought about what Ms T and L2G have said. The first thing for me to say is that this was Ms T’s first loan with L2G. The information provided suggests Ms T 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 didn't show anything too alarming. There were a couple of historic issues – namely a historic default but Ms T's recent commitments were being relatively well maintained.

Bearing in mind the amount of the repayments appeared affordable and Ms T'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 Ms T's actual circumstances may not been reflected in the information she provided and the other information L2G obtained. But L2G could only make its decision based on the information it had available at the time. And, 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 Ms T to provide further information.

Equally it's only fair and reasonable for me to uphold a complaint in circumstances a lender did something wrong. And, in this case, I don't think that L2G did anything wrong in deciding to lend to Ms T - it carried out proportionate checks even though Ms T now argues that what it was provided with didn't tell the whole story. L2G reasonably relied on this information and given its lack of history with Ms T, I don't think it was unreasonable for L2G to provide this loan notwithstanding the fact that the funds might have been to consolidate other loans Ms T already had. And I also say this while particularly mindful that I've not been provided with anything that clearly shows me the loan was unaffordable either.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 19 September 2023.

Jeshen Narayanan
Ombudsman