

## **The complaint**

Mr M complains that Loans 2 Go Limited lent to him irresponsibly.

He says that the interest was too high.

He says that the withdrawal of the offer to him (February 2023) was unfair.

## **What happened**

In May 2022 Mr M took one loan for £2,000 repayable over 24 months at £269.33 each month. That meant that Mr M had to repay £6,463.92.

Mr M entered a debt management plan in November 2022. Loans 2 Go has said that in February 2023 it had not received any money from that plan. He complained to Loans 2 Go on 6 February 2023 by telephone. By February 2023 he had repaid £807.99.

In the final response letter (FRL) on 17 February 2023, Loans 2 Go gave reasons why it did not uphold Mr M's complaint. It made an offer in the FRL to reduce the interest due by 10% which would have translated into a write-off of £446.39 leaving a new balance to pay of £5,209.

Later that was increased on 17 February 2023 to 20% of the total interest which translated into a write-off of £892.78 leaving a new balance to pay of £4,763.15. Mr M had 14 days to accept this in full and final settlement of his complaint. This was done on the telephone with Mr M and followed up with an email of the same date.

Mr M referred his complaint to the Financial Ombudsman Service in early March 2023.

One of our adjudicators looked at the complaint and decided that it was not one where Loans 2 Go had to put things right for Mr M. He was not content. Loans 2 Go had nothing further to send or say.

The complaint was referred to me for a decision. After I'd reviewed it I needed information from Mr M as some of the matters he had been telling us about we could not find records of or had no information about – for instance his bankruptcy, and his lack of employment at the time the loan was approved.

We have not received anything from Mr M and so as the complaint has been proceeding for some time it's fair and reasonable to both parties to progress it to resolution.

## **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

## ***The summary part for Mr M to read first***

I've carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr M's complaint.

I note that in a recent telephone call with one of our investigators, Mr M explained he was under stress and this was noted by us. Our investigator checked that Mr M knew where to go to receive help for that and Mr M informed her he did know and was receiving help. From that I note that Mr M does have support.

Mr M has a reading/writing condition and has asked that things are written in a simpler form so he can take in the main information.

With that in mind I have written the main points of my decision here and then expanded to give more full reasons in the rest of the decision.

### ***Summary for Mr M***

Mr M said he was bankrupt in the past but I've no details of it.

Loans 2 Go did not know of any bankruptcy or other insolvency.

Information we have asked Mr M to send to us to help has not been sent.

Mr M's income and expenditure was reviewed by Loans 2 Go when he applied for the loan.

It decreased his income figure and increased his expenditure figure and still the loan looked affordable.

Even if Loans 2 Go ought to have looked at any bank statements, I've none from Mr M for me to see what Loans 2 Go might have seen in May 2022.

I do not uphold Mr M's complaint. He needs to accept or reject this by 10 August 2023.

The interest charged was clear at the time Mr M took the loan.

The Loans 2 Go 20% reduction offer was a matter between him and it and not something I make any finding on.

### ***More detailed reasoning and my findings***

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all the relevant rules, guidance, and good industry practice - on our website.

Considering the relevant rules, guidance, and good industry practice, what I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are whether Loans 2 Go completed reasonable and proportionate checks to satisfy itself that Mr M would be able to repay in a sustainable way? And, if not, would those checks have shown that Mr M would've been able to do so?

If I determine that Loans 2 Go did not act fairly and reasonably in its dealings with Mr M and that he has lost out as a result, I will go on to consider what is fair compensation.

The rules and regulations in place required Loans 2 Go to carry out a reasonable and proportionate assessment of Mr M's ability to make the repayments under this agreement. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower" focused – so Loans 2 Go had to think about whether repaying the loan would be sustainable and/or cause significant adverse consequences for

Mr M. In practice this meant that Loans 2 Go had to ensure that making the payments to the loan wouldn't cause Mr M undue difficulty or significant adverse consequences.

In other words, it wasn't enough for Loans 2 Go to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mr M.

Checks also had to be "proportionate" to the specific circumstances of the loan application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

Mr M applied to Loans 2 Go for the first time and so he was a new customer to Loans 2 Go.

Mr M has told us that he went bankrupt in or around 2018. So he says that should have been a reason for Loans 2 Go not to lend to him.

I have discovered no record of that and we have no information from Mr M about it – the date of his bankruptcy and when he may have been discharged. The credit search Loans 2 Go carried out in May 2022 did not show any insolvency concerns or historic records relating to insolvency. So, we asked Mr M for details and we have received nothing.

So, Loans 2 Go had no information about any insolvency when Mr M applied for the loan in May 2022 and I am proceeding on that basis.

The credit search Loans 2 Go carried out showed that his total debt balance was £8,092. The more recent entries showed no or very little adverse recording about them. The adverse information related to accounts closed in 2017 and 2018. And so, I do not consider that Loans 2 Go would have considered it had reason to refuse the loan application or to necessarily consider it had to discover more about Mr M's financial situation.

Mr M declared that he worked full time and was paid four-weekly on a Tuesday. He said he was paid in cash. He said he earned £2,500 a month and he spent £200 on groceries and £30 on transport and £95 on credit commitments. That left Mr M with ostensibly a large disposable income each month from which the loan would have looked affordable.

Loans 2 Go has explained:

*'Loans2Go obtains information from [credit reference agency] to verify applicants' bank accounts and their declared income and credit liability regarding information sourced externally..... The declared income check is designed to ensure the income amount disclosed by the applicant matches (on average) what was on their six-month*

*bank account statement - as obtained from[credit reference agency]. Applicants with a reported income amount less than required will automatically be declined the loan.'*

Loans 2 Go has said that it uses the information given to it in the application form together with Office For National Statistics data (ONS) on UK consumer average expenditure to get to a reasonable figure. So, the higher figure using this ONS data is used where deemed necessary.

Following all these checks and information gathering exercise, Loans 2 Go reduced Mr M's likely income to £1,320.14 each month. And it increased Mr M's expenditure (costs and credit) to £800 each month. And still it considered that the loan repayments were affordable to Mr M.

Loans 2 Go also explained in its FRL that the interest was charged in line with the contractual terms and was front loaded and no further interest or charges are added during the loan agreement term and it does not charge late payment fees. The early settlement regulations applied to this agreement. I have seen that all these details were clear in the agreement. The commercial rates determined by a professional lender are matters about which the Financial Ombudsman Service does not get involved. I can see that Mr M likely saw all these details when he took the loan.

The offer to Mr M to reduce the interest due on the account by 20% was offered over the phone and then followed up with an email. I've seen that correspondence. And the 14 day deadline to accept was clear. Mr M referred it to us and so the offer by Loans 2 Go has been withdrawn. Mr M is upset about this. That's a matter between Mr M and Loans 2 Go. I make no finding on that.

Mr M has raised some points about the way that Loans 2 Go has treated him as a customer. In its submissions to us in March 2023, Loans 2 Go has said that these are new complaint points and it needs time to be investigated and so wanted that part to be dealt with separately. I am unclear whether Mr M has raised that with Loans 2 Go as a separate complaint. But I have not dealt with his part in this decision.

### **My final decision**

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 10 August 2023.

Rachael Williams  
**Ombudsman**