

The complaint

Mr S complains that Loans 2 Go Limited ('Loans 2 Go') irresponsibly gave him two loans that he couldn't afford.

What happened

On 27 September 2019 Mr S applied for a loan with Loans 2 Go. The loan was for £500, the term 18 months and it was repaid on 19 November 2019. I will refer to this as Loan 1.

On 18 December 2019 Mr S applied for a loan with Loans 2 Go. The loan was for £300, the term 18 months and it was repaid on 19 November 2019. I will refer to this as Loan 2.

In 2023, Mr S complained to Loans 2 Go to say that the loan accounts shouldn't have been opened for him because they weren't affordable. Loans 2 Go declined to uphold the complaint and Mr S brought his complaint to us.

Our investigator thought that the complaint about both loans should be upheld. Loans 2 Go agreed that Loan 2 was unreasonable lending. But they disagreed that Loan 1 was unreasonable. So, the complaint passed to me to decide.

As there appeared to be no argument about the unreasonableness of Loan 2, I had little to say about it in my provisional decision.

I issued my provisional decision on 24 November 2023 in which I said that I did not intend to uphold the complaint about Loan 1 but did intend to uphold the complaint about Loan 2. I set out an extract below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point, it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

Loans 2 Go will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Mr S thinks the lending for Loan 1 was not reasonable. So, it is my job to see if I think Mr S is entitled to more redress than he has already been offered. So, I need say no more about the lending for Loan 2, except to say that I agree that that lending decision was unreasonable. So, this decision will now focus on the provision of Loan 1.

Having considered all the submissions made in this case, I don't think that Mr S is entitled to more than he has already been offered. I'll explain why I say that.

Mr S's complaint is that Loans 2 Go made credit available that was unaffordable. Loans 2 Go has explained that it relied in part on information that Mr S provided at the time of application to assess affordability. Mr S told Loans 2 Go that he was employed with a take home income of £1,600 per month. Loans 2 Go were entitled to rely on the information Mr S declared to them in the completion of his application, to an extent.

Even so, Loans 2 Go tested the income by referring it to a credit reference agency that obtained details of Mr S's monthly net income from his current account turnover. From that Loans 2 Go had confirmation that money was indeed coming into Mr S's bank account, but that there was less of it than Mr S declared. But the loan was for a modest amount compared to Mr S's income and existing financial commitments and the monthly payments for that credit were also relatively modest.

Based on the modest lending that Loans 2 Go was being asked to offer, I do not think they needed to look more deeply into Mr S's finances at that time. But had they done so, I don't think Loans 2 Go would have changed their mind about providing modest lending. I say that because, having seen the bank statements that Mr S has provided, I have noted that they show that Mr S's account enjoyed regular payments made into it.

I have also considered that Loans 2 Go said they carried out a credit search in Mr S's name to assess his level of debt at that time and to understand how he had been managing that debt. With that information and using their own scoring metric, Loans 2 Go decided to agree to the loan of £500. The Loans 2 Go checks showed that Mr S had only a modest amount of other borrowings compared to his income. So, there was some assessment of affordability at the time of the lending decision. And I consider the checks to have been proportionate for such a modest amount of credit.

And I have noted that Loans 2 Go told us they found some adverse records on Mr S's credit file. Mr S was engaged in an arrangement to pay on an account. I don't necessarily see this as an example of financial difficulty so bad as to make the lending on Loan 1 unreasonable. It could be argued that the arrangement to pay was evidence of someone taking steps that could be called sensible to manage themselves out of financial difficulty. And so, I am not persuaded that this ought to have barred Mr S from being considered and approved for more credit because of it.

And so, I don't think that the information that Loans 2 Go had at the time of the lending decision, would have led them to feel they ought to make more searching enquiries of Mr S's financial situation.

I have to look at the information that was available to Loans 2 Go at the time it made its lending decisions and not to use hindsight. And I have seen insufficient evidence that the other information that Loans 2 Go acquired or had presented to it at the time of the lending decision, would have led them to think that the relatively modest credit they were offering was unreasonable.

So, having considered all the submissions made in this case, I have seen insufficient evidence to think that Loan 1 was unreasonable. Because I think the loan was reasonable, I think the redress that Loans 2 Go should pay should be for Loan 2 only and should be as detailed below.

Putting things right – what Loans 2 Go needs to do

To settle Mr S's complaint Loans 2 Go should do the following:

- *To add up the total amount of capital Mr S received as a result of having been given Loan 2. If any repayments were made these should be deducted from this amount.*
- *Any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement).*
- *To remove any negative information recorded on Mr S's credit file as a result of the interest and charges on Loan 2.*

†If HSBC considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr S how much it's taken off. It should also give Mr S a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate."

I asked the parties to the complaint to let me have any further representations that they wished me to consider by 8 December 2023. Both parties have acknowledged receiving the decision and told us they did not want to make any further submissions. So, I'm proceeding to my final decision.

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.

Having considered afresh all the submissions made to me in this case and given that there's no new information for me to consider following my provisional decision, I have no reason to depart from those provisional findings. So, I have nothing further to add.

Putting things right

Loans 2 Go Limited should put things right in the way set out above.

My final decision

For the reasons set out, my decision is that the lending on Loan 2 was not reasonable and so I uphold that part of the complaint. Loans 2 Go Limited should put things right in the way set out above. For the reasons given above, I have seen insufficient reason to uphold the complaint about Loan 1.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 10 January 2024.

Douglas Sayers

Ombudsman