

Complaint

Miss G has complained about loans that Loans 2 Go Limited (“L2G”) provided to her. She says the payments were unaffordable and so she shouldn’t have been lent to.

Background

L2G initially provided Miss G with a loan for £250 in May 2021. This loan had an APR of 1,013.2% and an 18-month term. This all meant the total amount repayable of £1,028.54, which included interest, fees and charges of £778.54, was due to be repaid in 18 instalments of £57.14. Miss G withdrew from this loan during the cooling off period and so only repaid the amount she was lent.

Miss G then approached L2G for a loan for £400 in August 2022. This loan had an APR of 769.9% and an 18-month term. This all meant the total amount repayable of £1,479.96, which included interest, fees and charges of £1,079.96, was due to be repaid in 18 instalments of £82.22.

As Miss G repaid loan 1 during the cooling off period and therefore paid no interest we’ve not looked into the complaint about that loan. And all reference to loan made from this point forward, is made in relation to the loan for £400 Miss G was provided in August 2022.

One of our investigators reviewed what Miss G and L2G had told us. And he thought that L2G hadn’t done anything wrong or treated her unfairly. So she didn’t uphold Miss G’s complaint. Miss G 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 G’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Miss G’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 G 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 G with a loan for £400 in February 2021. As explained, it had an APR of 769.9% and was to be repaid in 18 instalments of £82.22 which meant the total amount to be repaid was £1,479.96.

L2G says it agreed to Miss G'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 G. The information Miss G provided about her income and expenditure showed that she would be able to make the repayments she was committing to.

But it, in any event, L2G says it adjusted Miss G'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 G has said the loan was unaffordable and shouldn't have been provided.

I've carefully thought about what Miss G and L2G have said. The first thing for me to say is that this was Miss G's first real loan with L2G considering she withdrew from the May 2021 loan. The information provided suggests Miss G 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 couple of historic arrangements to pay and Miss G was towards the limit on one of revolving credit accounts. However, this needs to be weighed against Miss G's credit usage being low on some of her other revolving credit accounts and her indebtedness being low.

Bearing in mind, what on the face of things was, a low monthly repayment appeared to be affordable and Miss G'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 there was nothing immediately obvious to call it into question.

I accept Miss G's actual circumstances may not have been reflected in the information she provided and the other information L2G obtained. I know that Miss G says that she was even more indebted and reliant on high-cost short-term credit. 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 have extended into L2G asking Miss G to provide further information.

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 G - it carried out proportionate checks even though Miss G 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 Miss G, I don't think it was unreasonable for L2G to provide this loan.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 8 December 2023.

Jeshen Narayanan
Ombudsman