

## **The complaint**

Mr H, via a third party representative, says Loans 2 Go Limited irresponsibly lent to him.

## **What happened**

In August 2020 Loans 2 Go granted Mr H a fixed sum loan.

The loan was for £700 to be repaid by Mr H at £36.92 a week, for 78 weeks – making a total repayable of £2,879.76 at an APR of 1,275.9%.

In February 2022 Mr H made the last payment required of him and his loan was marked by Loans 2 Go as settled.

In January 2023 Mr H complained to Loans 2 Go that it had lent to him irresponsibly.

In February 2023 Loans 2 Go issued Mr H with a final response letter ("FRL"). Under cover of this FRL Loans 2 Go said that it didn't uphold Mr H's complaint.

In May 2023, and unhappy with Loans 2 Go's FRL, Mr H complained to our service.

Mr H's complaint was considered by one of our investigators who came to the view that it shouldn't be upheld.

Mr H didn't agree. In summary he said he had 18 late payments less than 6 months old and 2 defaults recorded on his credit file in August 2020 and this should have been enough for Loans 2 Go to conclude that it shouldn't lend to him.

Because Mr H didn't agree with the investigator's view his complaint has been passed to me for review and 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.

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

Having carefully thought about everything, I think that there are two overarching questions that I need to answer in order to fairly and reasonably decide Mr H's complaint. These two questions are:

1. Did Loans 2 Go complete reasonable and proportionate checks to satisfy itself that Mr H would be able to repay the loan in a sustainable way and without experiencing significant adverse consequences?
  - If so, did it make a fair lending decision?

- If not, would those checks have shown that Mr H would've been able to do so?

## 2. Did Loans 2 Go act unfairly or unreasonably in some other way?

The rules and regulations in place required Loans 2 Go to carry out a reasonable and proportionate assessment of Mr H'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 cause significant adverse consequences for Mr H. In practice this meant that business had to ensure that making the payments to the loan wouldn't cause Mr H 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 H. 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 particular 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.

In light of this, 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 of time 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).

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

*Did Loans 2 Go complete reasonable and proportionate checks to satisfy itself that Mr H would be able to repay the loan without experiencing significant adverse consequences?*

Loans 2 Go has provided evidence to show that before lending to Mr H it carried out a credit check and asked him for details about his income and expenditure. It verified Mr H's income and also went through the credit check to look through Mr H's credit commitments. It then calculated what it thought was Mr H's disposable income to see if the loan repayments were affordable. Based on those checks Loans 2 Go thought it was fair to lend.

Based on the amount that Mr H borrowed, the repayment and term of the loan, I think the checks were reasonable and proportionate. Those checks suggested to Loans 2 Go the loan was affordable and Mr H could sustain the repayments over the term.

I note that in response to the investigator's view Mr H says that he had 18 late payments less than 6 months old and 2 defaults recorded on his credit file in August 2020 and this should have been enough for Loans 2 Go to conclude that it shouldn't lend to him.

Notwithstanding I can't reconcile this submission with the credit check undertaken by Loans 2 Go in August 2020 (which 'paints a much better picture' of Mr H's 'credit rating') or reconcile it to Mr H's original complaint to Loans 2 Go and our service, I'm satisfied that loans 2 Go took into account everything that its credit check returned before deciding to lend to Mr H. It should also be remembered the market in which Loans 2 Go operates and that consumers applying for credit with Loans 2 Go are likely to have some historical late payments, CCJ's and defaults recorded with credit reference agencies.

*Did Loans 2 Go act unfairly or unreasonably in some other way?*

I've also thought about whether Loans 2 Go acted unfairly in some other way and I haven't seen any evidence that it did.

I appreciate Mr H will be disappointed but taking everything into account I'm simply not persuaded that Loans 2 Go did anything wrong in making the loan advance that it did to Mr H in August 2020.

**My final decision**

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 7 December 2023.

Peter Cook  
**Ombudsman**