

## **complaint**

Mrs S complains that Loans 2 Go Limited gave her an unaffordable loan.

## **background**

Mrs S borrowed the money in 2009. She says that, given her income and other financial commitments at the time, the repayments for the loan were not affordable and this meant she quickly started missing payments and got behind.

Mrs S says that she then had to borrow more money from other lenders to try to keep up with the loan. Whilst Loans 2 Go refunded the charges and wrote off the remaining balance of the loan in 2013, she feels that it should not have lent to her in the first place. She also says that Loans 2 Go put her under unfair pressure to repay, which contributed to the breakdown of her mental health.

Loans 2 Go said that a thorough affordability assessment was made before the loan was given, and that it had eventually written off the remaining balance as a goodwill gesture. It did not accept that it had treated Mrs S unfairly.

As things were not settled, Mrs S brought her complaint to this service where an adjudicator investigated it. From the evidence, the adjudicator felt that the information provided in Mrs S's loan application had shown that she had significant other credit commitments and was also heavily overdrawn on her bank account.

In the circumstances, the adjudicator considered that Loans 2 Go should have made some further checks – which would have shown that Mrs S would not be able to manage the loan repayments.

The adjudicator also found that Loans 2 Go had failed to act on Mrs S's repeated requests for email (rather than phone) contact, causing her unnecessary further trouble and upset. Overall, the adjudicator recommended that Loans 2 Go should refund all interest and charges for the loan, together with interest, and should pay Mrs S a further £200. The adjudicator also recommended that Loans 2 Go should remove the loan from Mrs S's credit file.

Loans 2 Go did not agree and said, in summary:

- Loans 2 Go recognises that Mrs S experienced financial difficulty, but it worked with her to make various payment arrangements before writing off the remaining balance in 2013.
- The loan was signed in July 2009, and so the adjudicator's expectations concerning the assessment of affordability are not relevant. The Financial Conduct Authority only took over regulation of consumer credit in April 2014, and that is the date from which consumer credit firms were required to adhere to the relevant Handbook rules.
- Mrs S signed a pre-contract sheet which made her fully aware of the financial implications of the loan.

## my findings

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

Loans 2 Go is right to say that regulation of consumer credit did not pass to the Financial Conduct Authority until 2014. But that does not mean consumer credit lenders were not subject to any regulation before that, or that there were no prior industry codes setting out good practice. In reviewing this complaint, I have had regard to the relevant rules and codes in place at the time this loan was given.

The money Mrs S borrowed (from Loans 2 Go's predecessor company) was provided through a specific type of regulated finance agreement, under which Loans 2 Go could take possession of Mrs S's car if she did not keep up the weekly payments.

Mrs S didn't fill in the spaces provided on the loan application form for other credit commitments. But she provided copy bank statements to support her application, which showed that there were other credit commitments – and that her bank account was already running on a very substantial overdraft. The numerous loan payments into the account from short-term lenders, and repayments out to other short-term lenders, are very obvious on the copy statements given to Loans 2 Go at the time.

So I am satisfied that the totality of information Loans 2 Go was given in the application put it on notice that Mrs S was unlikely to be able to afford the weekly payments of £102.64 required for this loan. That proved to be the case – the loan went into arrears within weeks. It's clear that Mrs S then juggled borrowing to try to keep up, but this strategy did not work for long.

Mrs S did not try to avoid dealing with Loans 2 Go about repayment of her debt, but she asked it not to phone her because of the significant physical and mental health problems that she was suffering during the period in question. She was happy to communicate by email. But unfortunately, Loans 2 Go did not stop calling her and I accept that this added unnecessarily to Mrs S's worries.

I have noted Loans 2 Go's point about the amount it wrote off in 2013. But, by then, Mrs S had already repaid substantially more than she had borrowed. So the amount Loans 2 Go wrote off comprised charges and interest which had been applied but not paid – including £744 in respect of charges made for phoning Mrs S to chase her about the debt.

In all the circumstances of this complaint, I find that the redress recommended by the adjudicator represents a broadly fair and reasonable settlement. Because there have already been some refunds of the charges and interest applied by Loans 2 Go but not actually paid by Mrs S, I have worded my award to make clear exactly what amounts Loans 2 Go must refund.

Finally, I also note that the adjudicator recommended that Loans 2 Go should entirely remove the loan from Mrs S's credit file. In my view, the fairer remedy is that Loans 2 Go should remove any *adverse* information it has recorded on Mrs S's credit file about the loan and I have reflected that in my award.

**my final decision**

My final decision is that I direct Loans 2 Go Limited to:

- refund to Mrs S the interest and charges that she has repaid on the loan; and
- pay her simple interest on those amounts, calculated at 8% a year from the dates of payment to the date of settlement; and
- pay her £200 in respect of trouble and upset; and
- remove any adverse information it has recorded about the loan on Mrs S's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 28 October 2016.

Jane Hingston  
**ombudsman**