

complaint

Mr W's complaint is that Loans 2 Go Limited ("Loans 2 Go") loaned to him irresponsibly.

background

In January 2016 Mr W applied to Loans 2 Go to borrow £300, and the loan was granted. In March that year he borrowed another £550, part of which was used to repay the January loan.

Some time later, Mr W sought help from StepChange with his financial difficulties. And as part of this he made arrangements with his creditors, including Loans 2 Go. He also complained to it about the two loans it had given him in early 2016. He said these weren't affordable, and that it should have been able to see that from the credit checks it carried out when he made his applications.

Loans 2 Go responded to the complaint saying it didn't agree the loans were unaffordable. It explained its process for checking credit-worthiness and affordability, and thought it had done enough. It said that it had relied in part on information given by Mr W himself, which wasn't true, but it felt it was entitled to accept as true at the time.

Mr W wasn't happy with this response, so brought his complaint to our service. He said that he still believed Loans 2 Go had given him unaffordable loans, and he wanted a refund of his interest, plus any charges, and for any record of them to be removed from his credit file.

Our adjudicator looked at all the evidence, and concluded that had Loans 2 Go looked more carefully at the information available when he applied for the loans, it would have seen they weren't affordable, and wouldn't have given them to Mr W.

He said that to resolve matters, Loans 2 Go should refund the interest and charges, add 8% interest on this figure, and remove all related adverse information from Mr W's credit file.

Loans 2 Go didn't accept our adjudicator's view. It said that there was no requirement for it to have obtained bank statements to assess Mr W's true financial position. And also that Mr W himself had to take some responsibility for not being entirely honest about his circumstances.

As no agreement was reached, the complaint's come to me for a final decision.

my findings

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

Having done so, I think our adjudicator was right to uphold Mr W's complaint, and I agree also with the reasons he's given for this.

Loans 2 Go has provided two main lines of defence to the complaint being upheld. The first is that it wasn't required by CONC (the FCA's Consumer Credit Sourcebook) to obtain bank statements for Mr W, and that the information it already had was proportionate and sufficient for it to have made its lending decisions based on that.

However, our adjudicator didn't say that the complaint was being upheld because of the lack of bank statements. He wasn't even saying that Loans 2 Go didn't have enough evidence to make the decisions at the time. What he was saying is that it didn't look carefully enough at evidence it had – i.e. the credit report and the credit search. And that if it had done it would have seen Mr W's existing level of indebtedness; that he'd been regularly applying for credit elsewhere; and that he'd gone over his credit card limit.

And I agree with this. The evidence was there that there was more to Mr W's circumstances than he'd admitted. And had Loans 2 Go paid more attention to the inconsistencies (i.e. there were creditors on his credit search that didn't appear in the credit report), and asked further questions, it would have uncovered a much more realistic version of his circumstances and affordability.

I'm satisfied that this failure to dig deeper into already available evidence, along with Mr W's explanation that the only thing the Loans 2 Go advisor was looking for in his credit report were any defaults or CCJs (hence her review of the report was over within moments), shows that Loans 2 Go didn't do sufficiently deep or thorough checks to satisfy itself that the two loans it gave to Mr W were affordable.

Loans 2 Go's second argument is that Mr W wasn't entirely truthful in the information he gave when he made his applications.

While this may be true, and I generally agree with the principle that a lender's entitled to accept as truthful this sort of evidence, in this case I think had all of the available evidence been looked at in conjunction, Loans 2 Go would have seen that what Mr W had told it wasn't the full story.

Therefore, I agree that the complaint should be upheld, and Loans 2 Go should settle matters as recommended by our adjudicator.

On the matter of Mr W's credit file, I should explain that I think it's correct that a record of the loans having been taken should remain on these. Mr W had the benefit of the funds after all, and it's a true reflection of the credit he applied for and received. However, I agree that any adverse information relating to these loans should be removed.

my final decision

My final decision is that to resolve this complaint Loans 2 Go Limited should now:-

- Refund all interest and charges paid on the loans, with interest at 8% from the date of payment to the date of settlement;
- Any refund should be used to firstly offset the outstanding balance due, and any remainder should be paid to Mr W;
- Remove all adverse information about the loans from Mr W's credit file
- Ensures it's reconciled its own account with the payments made for Mr W via StepChange.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 14 August 2017.

Ashley L B More
ombudsman