

## The complaint

Miss K complains that Greenlight Credit Ltd (trading as Varooma) lent to her in an irresponsible manner.

## What happened

I issued a provisional decision relating to this complaint in August 2020. In that decision I explained why I thought most of Miss K's complaint should be upheld. Both parties have received a copy of that provisional decision, but in summary I said;

Miss K was given six loans by Varooma between January 2017 and March 2018. Each of the loans was secured against a vehicle that she owned. At times Miss K had more than one loan running concurrently. Miss K successfully repaid the first five loans (sometimes by refinancing the loan with some new borrowing) but she had a balance still outstanding on her final loan when she made her complaint. A summary of Miss K's borrowing from Varooma is as follows;

Loan Number	Borrowing Date	Repayment Date	Loan Amount	Term (Months)
1	04/01/2017	05/07/2017	£ 6,000	60
2	05/06/2017	15/01/2018	£ 6,000	24
3	05/07/2017	06/07/2017	£ 7,000	60
4	22/07/2017	01/02/2018	£ 7,000	48
5	15/01/2018	01/02/2018	£ 3,500	36
6	22/03/2018	-	£ 3,000	24

I explained the relevant regulations that Varooma needed to follow when lending to Miss K, and that at different stages of their relationship different levels of checks might be appropriate.

I didn't think that the checks Varooma had done before agreeing any of the loans had been proportionate. On each of the loans Miss K needed to make monthly repayments for periods of between two and five years. So I would expect that Varooma would have wanted to gather, and independently check, some detailed information about Miss K's financial circumstances before it agreed to give each loan to her.

I looked at copies of Miss K's bank statements from around the time she applied for each loan. I'm not suggesting here that this is the check that Varooma should have done. But given I think the lender should have sought a full and independent view of Miss K's financial position I think looking at her bank statements gives me the best picture of what the lender should have seen. And for clarity I will note that Miss K operated three bank accounts for most of the time she was borrowing from Varooma. But I think that should have been clear to the lender too – the evidence it gathered about her income showed those payments been made into different accounts.

I didn't think the evidence from Miss K's bank statements at the time of loan 1 suggested that her application should have been declined. Her accounts were generally well managed with little evidence of unpaid transactions or other short term borrowing. And although there was some evidence of gambling transactions I don't think they were at a level that should have caused concern to the lender.

But by the time of loan 2 Miss K's finances had become under significant pressure. Her gambling problems had increased to an unsustainable level. She was supporting that spending by borrowing – both from Varooma and a range of other high cost lenders. In the space of just under seven weeks Miss K took three separate loans from Varooma. And at the end of that period she had two active loans, secured against different vehicles, with repayments totalling almost £650 per month. And when Miss K took her last two loans her spending on online gambling exceeded her normal income.

So I didn't think Varooma should have agreed to lend to Miss K after, and including, the second loan. I thought Varooma needed to pay her some compensation.

I invited both parties to let me have any further comments and evidence. Miss K has told us that she accepts my provisional decision. Varooma provided us with some further comments. Although I am only summarising here what Varooma has said, I have considered its entire response carefully before writing this decision.

Varooma pointed out that Miss K had repaid two of her loans very shortly after taking them out. And it said that three other loans were top ups to other borrowing. It says Miss K was never in arrears on the first five loans and that there was no suggestion of the loans being unaffordable during their duration. Varooma confirmed that it still accepted our adjudicator's assessment that it shouldn't have given the final loan to Miss K.

### **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 thought carefully about what Varooma has said, I am not persuaded that I should change my provisional findings. But I would like to comment further on the points that it has raised.

I don't share Varooma's inference that a consumer repaying loans much earlier than agreed shows financial stability. Whilst that might be the case, I think it could just as easily suggest that a consumer is finding it difficult to manage their finances and borrowing from multiple different sources to meet their repayments. Or, as I think is likely the case here, Miss K was reliant on winnings from her gambling activities to repay her borrowing. Where she had been successful she was able to repay the entire loan shortly after it had been borrowed.

It isn't enough to consider whether a consumer has repaid their borrowing. A lender needs to be confident that a consumer can repay future borrowing in a sustainable manner. And that would suggest those repayments would need to be funded from a consumer's normal income or savings. I don't think what Varooma would have seen from better checks would have suggested with any degree of confidence that it was likely that was how Miss K could repay the last five loans. Her bank statements clearly showed someone facing increasing problems managing their finances.

So my decision remains that I don't think Varooma should have agreed to lend to Miss K after, and including, the second loan. Varooma needs to pay her some compensation.

### **Putting things right**

I don't think that Varooma should have agreed to lend to Miss K after, and including, the loan she was given on 5 June 2017 (loan 2). I have noted that Varooma has said that it has already paid Miss K some compensation in relation to loan 6. Although I include that loan in the redress below for completeness, I have acknowledged that the redress for this loan might already have been paid. So Varooma should;

- Refund any interest and charges paid by Miss K on loans 2 to 5.
- Add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement†.
- Remove any adverse information recorded on Miss K's credit file in relation to loans 2 to 5.

In relation to loan 6, if it hasn't already done so, Varooma should;

- Remove any interest and charges still outstanding on loan 6 and treat all the payments Miss K made towards this loan as payments towards the capital.
- If reworking Miss K's loan account as I've directed results in her having effectively made payments above the original capital borrowed, then Varooma should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date of settlement†.
- If reworking the account leaves an amount of capital still to be paid, then Varooma can use the total refund for loans 2 to 5 (after the deduction of tax) to offset this.
- Cancel the bill of sale and return the V5 document
- remove any adverse information recorded on Miss K's credit file in relation to loan 6.

† HM Revenue & Customs requires Varooma to take off tax from this interest. Varooma must give Miss K a certificate showing how much tax it's taken off if she asks for one.

### **My final decision**

My final decision is that I uphold most of Miss K's complaint and direct Greenlight Credit Ltd to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 21 December 2020.

Paul Reilly  
**Ombudsman**