

The complaint

Miss L complained that Greenlight Credit Limited trading as Varooma lent to her irresponsibly. She also complained that the charges applied to her account were excessive and unfair.

What happened

Based on the limited information provided, it looked like Miss L was given 4 loans by Varooma as follows.

Loan	Date Taken	Date Repaid	Instalments	Amount
1	8.5.14	30.9.14	12	£500.00
2	5.8.14	12.9.15	12	£300.00
3	7.1.15	29.9.15	12	£300.00
4	29.9.15	outstanding	12	£650.00

Miss L first complained to Varooma about what she thought were unfair and excessive charges that she said had been applied to her account in relation to loan 4. Varooma made an offer to reduce some of these charges. Miss L didn't accept Varooma's offer and brought her complaint to this Service.

One of our adjudicators looked into Miss L's complaint. She didn't think Varooma had acted unfairly and that its offer to reduce some of the additional charges was fair. So she didn't think Varooma should be asked to do anything else.

Miss L didn't agree with the adjudicator's assessment, and she also complained that she'd been given other loans by Varooma and that the loans had been unaffordable.

We asked Varooma to provide us with as much information as it could about all the loans that it had provided to Miss L so we could look into all aspects of her complaint and an ombudsman made a provisional decision which was sent to both parties.

What the ombudsman said in the provisional decision

Here are some of the main things the ombudsman said.

"Varooma needed to take reasonable steps to ensure that it didn't lend irresponsibly. This means that it had to carry out proportionate checks to satisfy itself that Miss L could repay the loans sustainably. These checks could take into account a number of different things, such as the loan amount, the repayment amounts and Miss L's income and expenditure. But there was no set list of checks Varooma had to do.

In the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But I've also considered if there were any other factors

that might indicate that Varooma should fairly and reasonably have done more to establish whether continued lending was sustainable for Miss L.

Such factors include:

- the *lower* a customer'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).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've carefully considered all the arguments, evidence and information provided in this context and what it means for Miss L's complaint.

Varooma has provided statements of account for each of Miss L's loans and some of the information it gathered when Miss L applied for loans 3 and 4. Varooma says it doesn't hold much information about her earlier loans due to the amount of time that has passed.

Given the limited information I have about the checks that Varooma carried out when it provided Miss L with her loans, I can't say that its checks were reasonable and proportionate. However, even if Varooma's checks hadn't been reasonable and proportionate, I can't fairly say that Varooma shouldn't have lent to Miss L. This is because, given the limited information available, I can't fairly say what proportionate checks ought to have shown Varooma at the time.

Miss L has provided us with a copy of her credit report. The report suggests that information about Miss L's credit commitments would appear on the report for up to six years after an account has been settled (closed), written off or defaulted. And that live accounts remain on the report indefinitely. It also says that not all organisations share their data so some information may be missing. There's no information on the report about any of the loans that Miss L took with Varooma or about any other credit commitments that she might have had at the same time, but this could be due to the amount of time that has passed. But it does mean that I can't say from the report that Miss L has provided what I think Varooma is likely to have found in its credit checks at the time.

Miss L has told us she had a lot of debts with payday loans providers and that her bank statements would have shown she was gambling. But I think it's unlikely that proportionate checks by Varooma for the first three loans would've included asking Miss L for her bank statements. So I don't think Varooma is likely to have been aware of any gambling issues unless Miss L told the lender about this at the time. And as I've explained, I don't have enough information about what Varooma might have found out about Miss L's other credit commitments when she took these loans. So overall, I fairly can't say that Varooma was wrong to provide Miss L with her first three loans and I'm not intending to uphold Miss L's complaint about these loans.

I would have expected Varooma to want to gather a more in-depth understanding of Miss L's financial position before it agreed to the fourth loan - for example, by asking to see bank statements - to satisfy itself that Miss L could repay her loan sustainably. However, from what I've seen, I can't fairly say what more in-depth checks by Varooma would have shown at the time.

Miss L has told us she isn't able to provide bank statements because she no longer holds the bank account that she held at the time. This is of course understandable, but it means that I can't confirm what she's told us about her financial position when she took loan 4. So whilst I recognise that Miss L has given us *some* evidence, by telling us about her circumstances, I can't say it is *enough* evidence for me to fairly conclude that better checks ought reasonably to have led Varooma to conclude that Miss L wasn't likely to be able to repay her loan sustainably and that it therefore shouldn't continue lending to her. So I am not currently intending to uphold Miss L's complaint that loan 4 wasn't affordable for her.

Miss L has also complained that when she took the fourth loan, Varooma applied additional charges that were excessive and unfair. Miss L says she was charged a recovery fee but her car wasn't recovered and that she was charged for late payment, a default final notice and other charges for calls and SMS text messages.

I think Varooma was entitled under its agreement with Miss L to apply additional charges to her account when she failed to keep up with the monthly repayments. The loan agreement says that Varooma '*may also require payment of our reasonable charges arising from late payment for...*' and it lists examples, such as sending out a default notice, telephone calls or SMS and enforcement action.

I appreciate that Miss L might not have noticed or read this information when she signed the contract. But I think it's likely she was aware that she might incur additional costs if she didn't keep up with her loan repayments as she was charged some additional fees in relation to late payments on her previous loans. Overall, I don't think Varooma treated Miss L unfairly when it applied additional fees to her account following late payments – for loan 4 or in relation to any of her other loans.

Varooma says it incurred internal costs when it attempted to repossess Miss L's car under the terms of the contract and found that Miss L had already disposed of it. Varooma offered to credit Miss L's account with a 50% reduction in some of these additional charges. I think this was a fair offer in the circumstances and I don't intend to ask it to do anything more. But I expect Varooma to try to agree a repayment plan for loan 4 that is affordable for Miss L and I remind Varooma of its obligation to treat Miss L positively and sympathetically in these discussions.

I know Miss L will be disappointed by my provisional decision. But I'd like to reassure her that I have looked very carefully at everything that both she and Varooma have been able to tell us. Having done so, I am not intending to uphold Miss L's complaint."

What the parties said in response to the provisional decision

Miss L hasn't commented or sent us any further information.

Varooma has confirmed that it has no further comments.

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 approach to unaffordable/irresponsible lending complaints on our website and I've kept this in mind while deciding this complaint.

This complaint has been passed to me to make a final decision. I'd like to reassure Miss L that I've independently assessed her complaint.

Having done so, I've come to the same conclusion as the ombudsman who previously looked at her case – and for the same reasons set out in the provisional decision.

My final decision

For the reasons explained in the provisional decision, I'm satisfied that what Greenlight Credit Limited trading as Varooma has offered to do to put things right for Miss L (by refunding half of some charges) is fair and reasonable in all the circumstances of Miss L's case – and it should now do this, if it hasn't already. I'm not requiring it to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 10 June 2021.

Susan Webb
Ombudsman