

The complaint

Mr A complains that Shelby Finance Ltd, trading as Dot Dot Loans, lent to him irresponsibly.

And Mr A complains that he was informed by Shelby that a Direct Debit (DD) was set up but he says it was not. Mr A says that Shelby did not even try to take the payments from his account and now he has markers on his credit file.

What happened

Using information from Shelby's records, here is a brief table of the approved loans.

Loan	Approved	Amount	Repaid
1	29 March 2020	£400	30 September 2020
2	1 October 2020	£400	2 June 2021

Mr A first brought his irresponsible lending complaint to us in March 2021 and at that point he had the final response letter (FRL) from Shelby which is dated February 2021. It related to the irresponsible lending. Later he received another FRL from Shelby dated May 2021 about his concern relating to what Mr A felt was Shelby's failure to take payments from his account.

Shelby sent to us the information relating to these loans, and details of payments on the loans, the way the payments were made and correspondence between it and Mr A about these repayments.

One of our adjudicators looked at the complaint and addressed both parts. He said that he did not think that Shelby had lent to Mr A irresponsibly. And having reviewed the repayments, he could see that the method of repayment altered for loan 2.

Our adjudicator explained to Mr A that with the change in his circumstances and his request to be given some more time to pay loan 2, Shelby acceded to that request and made him aware future payments would be made by continuous payment authority (CPA). CPA is a payment that is requested as a debit card payment and is not a DD.

When Shelby requested these CPA payments, they were declined. As a result, the payments were missed, and it had a responsibility to accurately report his account to credit reference agencies (CRAs). So, our adjudicator did not think that Shelby had done anything wrong in relation to the DD, CPA or CRA.

Mr A responded to say *'My issue is that I was told it was a direct debit being set up. I am not concerned about the interest being refunded what I require is for the marks to be removed from my credit file.'*

The complaint remained unresolved and was passed to me to decide.

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 have set out our general approach to complaints about short-term lending - including all the relevant rules, guidance and good industry practice - on our website.

As Mr A has not taken issue with the irresponsible lending part of the complaint, then I've not set out much detail on that aspect as it appears Mr A considers that resolved. But for clarity I have reviewed the loans Mr A applied for.

Shelby needed to take reasonable steps to ensure that it did not lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr A could repay the loans in a sustainable manner. These checks could include several different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

In the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But certain factors might point to the fact that Shelby should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. Shelby was required to establish whether Mr A could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

The loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the Consumer Credit Sourcebook ("CONC") defines 'sustainable' as being the ability to repay without undue difficulties. The customer should be able to make repayments on time, while meeting other reasonable commitments, and without having to borrow to meet the repayments.

And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower will not be able to make their repayments sustainably if they need to borrow further in order to do that.

I have looked at the details relating to Mr A's applications and in view of the financial information he gave to Shelby when he applied for the loans then I do think that Shelby carried out proportionate checks before approving the two loans. Mr A was a new customer to them, his loan sums were relatively modest and for relatively short terms. I do not think Shelby lent irresponsibly to Mr A for loans 1 and 2. I agree with our adjudicator, I do not uphold Mr A's complaint about the irresponsible lending.

On the part of the complaint about the manner in which Shelby and Mr A arranged for payments to be taken, I can see from the detailed records I have been sent, that for both loans DD forms were completed by Mr A. For loan 1 they went through satisfactorily. For Loan 2 the first two repayments in 2020 were fine. After that things changed.

I have seen the correspondence in which, at Mr A's request, he was allowed additional time to repay loan 2. But the arrangement to pay which was put in place meant that the method of payment was different. It would be by CPA which is a method linked with Mr A's debit card.

I have seen from records that Mr A was informed of this and so I do not think that Shelby informed him a DD would be set up for the later stages of the loan 2 repayment plan. Some of the CPA requests were declined and so it's right that Shelby reported these to its CRA.

In the circumstances I do not think that Shelby has done anything wrong and I do not uphold Mr A's complaint.

My final decision

My final decision is that I do not uphold Mr A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 6 January 2022.

Rachael Williams
Ombudsman