

The complaint

Mr D says Novaloans Ltd (trading as cash4unow) irresponsibly lent to him. He was also unhappy with its level of support when he told it about his financial difficulties.

What happened

This complaint is about three instalment loans Novaloans provided to Mr D between February 2021 and October 2021. Mr D's lending history is as follows:

Loan	Date Taken	Date Repaid	Monthly instalments	Loan Amount	Highest Repayment
1	09/02/2021	18/05/2021	4	£200.00	£76.95
2	01/06/2021	30/09/2021	4	£400.00	£166.08
3	07/10/2021	Outstanding	4	£300.00	£119.75

Novaloans upheld Mr D's complaint about loan three and offered to remove the interest and charges owing and refund any paid so that Mr D just owed the outstanding principal. It also offered to remove the loan from his credit file when it was repaid, and it offered £20 as a gesture of goodwill for not responding to Mr D's financial difficulties sooner. But Mr D remained unhappy.

Our adjudicator didn't recommend that Mr D's complaint should be upheld. He thought Novaloans' offer of redress was more than we would require and so it was fair and reasonable. He thought Novaloans had responded later than it should have when it learned of Mr D's financial difficulties. But he thought its offer of redress for this was fair and reasonable. Mr D disagreed and he explained his concerns. So the complaint was passed to me for a final decision.

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

Novaloans needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr D could repay the loans in a sustainable manner.

These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, 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 Novaloans should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These 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 think that it is important for me to start by saying that Novaloans was required to establish whether Mr D could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course 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 without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as 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 won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr D's complaint.

Like the Adjudicator, I haven't considered loan three as I'm satisfied that Novaloans' offer restores Mr D to the position he would have been in if he hadn't taken the loan. A balance of the principal remains outstanding and I think it's for Mr D to co-operate with Novaloans' offer of an affordable repayment plan to clear this. It will then remove the loan from his credit file. And I think that's very fair and reasonable.

For loans one and two, Novaloans asked Mr D for information about his income and outgoings and it carried out a credit check. Mr D said his monthly income was £2,150 and his outgoings totalled between £826 and £903.

From what I can see, Novaloans' credit checks didn't find anything significant that should have prompted further checks or prevented it from lending to Mr D at this stage. I think one late payment and one default in the past 12 months isn't a sufficient reason to stop Novaloans from lending to Mr D.

Mr D thought the repeated borrowing shouldn't have been approved without further checks. Mr D told us that further checks would have shown that he was gambling at the time. He said he had significant debts at the time and a very poor credit file.

I accept that Mr D's actual circumstances weren't reflected either in the information he provided, or the other information Novaloans obtained. And Mr D's actual financial position might well have been apparent if further information – such as bank statements – had been obtained.

But Novaloans could only make its decision based on the information it had available at the time. And as it was in the early stages of a lending relationship with Mr D, I don't think it had reached the stage where there was a greater risk of the loans being unsustainable for Mr D. In these circumstances, I don't think Novaloans needed to take further steps to verify the information provided.

Equally I'm only able to uphold a complaint where I can safely say that a lender has done something wrong. And, in this case, I think Novaloans carried out reasonable checks even though it looks like the information it was provided wasn't reflective of Mr D's actual financial position.

Novaloans relied on the information it was provided with and given the amount of the repayments involved, together with Mr D's declared income and Mr D only taking two loans, I think that this wasn't unreasonable.

So from Novaloans' checks, loans one and two looked affordable for Mr D, And so I can't say it was wrong for Novaloans to have provided them.

Mr D said Novaloans hadn't responded sympathetically to his financial distress. I can see from the file that Mr D contacted Novaloans at various times about his repayments. But I can't see that he told it he was in financial difficulties until he made a complaint about irresponsible lending.

At this point, I think Novaloans should have responded positively and sympathetically. And I can see that it's already agreed that it didn't respond as it should have, and it offered Mr D £20 as a gesture of goodwill for this. Mr D said another business had responded more sympathetically. But I can't consider that here as Mr D's complaint is against Novaloans. I think Novaloans' offer was fair and reasonable as it's in keeping with our published guidance and so I don't require it to do anything further.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 2 May 2022.

Phillip Berechree
Ombudsman