

The complaint

Mr B complains that the loan he had from Shelby Finance Ltd (trading as Dot Dot Loans) was unaffordable.

What happened

Mr B took out a £600 loan with Dot Dot Loans on 8 July 2021. His scheduled repayments were £187.87 per month for six months. The loan was due to be repaid on 31 December 2021 but was repaid early on 15 October 2021.

Mr B says Dot Dot Loans should not have approved the lending as he could not afford the repayments and had to borrow further. He says Dot Dot Loans didn't carry out proper checks because, if it had done so, it would have realised he had multiple other loans as well as a gambling issue.

Dot Dot Loans says it asked Mr B about his income and expenditure and checked his credit record. It says it verified his income and reviewed the expenditure using statistical averages as guidance. Dot Dot Loans says it found Mr B had sufficient disposable income to afford the repayments. It adds that there was no requirement to look at bank statements, so it was not aware of a gambling problem.

Our adjudicator did not recommend the complaint should be upheld. She was satisfied that Dot Dot Loans had carried out proportionate checks and that there was nothing in the available information to indicate that further checks were required or that the repayments were unsustainable.

Mr B responded to say that the only reason he'd repaid the loan early was that he'd taken out a further loan to do so. He says his bank statements clearly showed gambling and other loan repayments and should have been used to verify his income and expenditure. Mr B adds that he was £7,000 overdrawn and had had a similar complaint upheld by this service.

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.

Dot Dot Loans 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 B could repay the loan 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 Dot Dot Loans 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 Dot Dot Loans was required to establish whether Mr B could sustainably repay his loan – 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 the arguments, evidence and information provided in this context and what this all means for Mr B's complaint.

When Mr B applied for this loan, Dot Dot Loans asked him about his income and expenditure and checked his credit file, including short-term loans. It then carried out further checks to establish whether the declared figures were reasonable. Dot Dot Loans adjusted Mr B's declared income figure down from £3,100 to £2,374 but was satisfied his declared expenditure was reasonable based on a statistical average for someone in his situation.

I'm satisfied these checks went far enough in the circumstances because:

- This was Mr B's first loan with Dot Dot Loans;
- The scheduled repayments were less than 8% of Mr B's verified income;

- The credit check showed no defaults, no County Court Judgements, no repayment or debt management plans and no active short-term loans;
- Dot Dot Loans's checks showed Mr B's total debt was just over £9,000, with an existing loan balance of £4,400;
- Dot Dot Loans calculated Mr B had disposable income of almost £1,200 with which to make the £188 repayments.

I acknowledge Mr B has asked me to address the " *cursory*" checks carried out by Dot Dot Loans, but I find the checks were proportionate for a £600 loan which was to be repaid over six months. I can't see there was anything in the available information to indicate Dot Dot Loans should have carried out further checks and, based upon Mr B's calculated disposable income, and existing debt levels, I consider the repayments were sustainable for him.

I have also seen evidence that Mr B took out a further loan and used some of it to repay this one. However, at the point of applying for the Dot Dot Loans loan, I can't conclude that Dot Dot Loans should reasonably have been aware of any information that would have led it to conclude the repayments were unaffordable to Mr B. I accept Mr B says his bank statements would have shown gambling was an issue, but I don't find it would have been proportionate for Dot Dot Loans to carry out that level of checks in these particular circumstances.

Finally, I have looked at the other complaint which Mr B says was about a similar loan and was upheld by this service. As this service considers each complaint on its individual merits, I cannot comment on why the outcome was different with Mr B's other complaint, but I note the loan was taken out at a different time, was for more money, over a longer period and with higher repayments.

In summary, I don't find Dot Dot Loans was irresponsible to have approved the loan.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 27 May 2022.

Amanda Williams
Ombudsman