

## The complaint

Mr O complains that the loans he had from Shelby Finance Ltd (trading as Dot Dot Loans) were unaffordable.

## What happened

Mr O had three loans from Dot Dot Loans between January 2020 and September 2020 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Monthly Repayment</u>	<u>Due</u>	<u>Repaid</u>
1	10 Jan 2020	£500	6m	£156.10	17 Jul 2020	5 Mar 2020
2	12 Mar 2020	£650	9m	£136.68	18 Dec 2020	20 Jun 2020
3	19 Sep 2020	£650	9m	£132.55	18 Jun 2021	21 Sep 2020

Mr O says Dot Dot Loans should not have approved the lending as he was in financial difficulty and very vulnerable at the time. He says he applied for the loans in desperation but ended up in a cycle of debt. Mr O says he doesn't feel Dot Dot Loans carried out sufficient checks before lending to him and it's left him struggling to pay bills and in a worse financial situation.

Dot Dot Loans says it asked Mr O about his income and expenditure and checked his credit record. Dot Dot Loans says it verified his income and reviewed the expenditure using statistical averages as guidance. It found Mr O had sufficient disposable income to afford the payments.

Our adjudicator recommended the complaint should be upheld in part. She found that proportionate checks for loans 2 and 3 would have shown Dot Dot Loans that Mr O was spending significant amounts on gambling and was unlikely to be able to sustainably repay the loans. Our adjudicator recommended that interest and charges should be refunded on loans 2 and 3 (plus 8% statutory interest), and that adverse information about the loans should be removed from Mr O's credit file.

Dot Dot Loans responded to say, in summary, that it was not required to obtain bank statements and so would not have been aware of the gambling. It says Mr O said the loan was for a holiday, which was a non-essential expenditure, and was repaid early with a bonus from work. It adds that loan 3 was returned after three days as the funds were no longer required.

## My provisional findings

I issued a provisional decision to Mr O and to Dot Dot Loans on 28 March 2022. I've summarised my findings:

- For loan 1 I was satisfied that Dot Dot Loans had carried out proportionate checks and that there was nothing in the available information to indicate further checks were required or that the repayments were unsustainable.
- I was also satisfied that the checks for loan 2 were proportionate to the circumstances because:
  - Mr O had repaid his first loan early with no missed payments;
  - The credit check showed no defaults, no repayment or debt management plans and no active short-term loans;
  - Dot Dot Loans calculated Mr O had disposable income of £900 with which to make the £136 repayments;
- I found the results of the checks did not show Dot Dot Loans needed to carry out further checks, nor that Mr O was already struggling financially, and so I was satisfied it made a fair lending decision;
- When Mr O applied for his third loan in eight months, with the application amount increasing each time, I considered this may be an indication he was becoming reliant on the lending and that Dot Dot Loans should have ensured it fully understood his financial circumstances;
- I found proportionate checks were likely to have shown:
  - A significant expenditure on gambling transactions – over £5,000 in a month;
  - Two loans, totalling £15,000, were taken out earlier in September 2020;
- I was satisfied that proportionate checks would have shown clear signs that Mr O was already struggling to manage his money and that further lending was irresponsible.

My provisional decision was that I upheld Mr O's complaint about loan 3.

Dot Dot Loans did not respond to the provisional decision and Mr O responded to say he had no further information to add.

### **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.

As neither party provided any additional information, I see no reason to depart from my provisional decision.

### **My final decision**

My decision is that I uphold this complaint in part. Shelby Finance Ltd (trading as Dot Dot Loans) should:

- Add together the total of the repayments made by Mr O towards interest, fees and charges on loan 3;

- Calculate 8% simple interest\* on the individual payments made by Mr O which were considered as part of “A”, calculated from the date Mr O originally made the payments, to the date the complaint is settled;
- Pay Mr O the total of “A” plus “B”;
- Remove any adverse information recorded on Mr O’s credit file in relation to loan 3.

\*HM Revenue & Customs requires Dot Dot Loans to deduct tax from this interest. Dot Dot Loans should give Mr O a certificate showing how much tax it’s deducted, if he asks for one.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr O to accept or reject my decision before 24 May 2022.

Amanda Williams  
**Ombudsman**