

The complaint

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

What happened

Mr W had five loans from Dot Dot Loans between February 2020 and November 2021 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	19 Feb 2020	£200	3m	£106.31	28 May 2020	29 Apr 2020
2	2 May 2020	£550	6m	£160.58	28 Oct 2020	3 Jul 2020
3	18 Aug 2020	£350	6m	£110.90	28 Feb 2020	16 Dec 2020
4	28 Jul 2021	£500	3m	£250.37	28 Oct 2021	On time
5	1 Nov 2021	£500	3m	£242.35	28 Jan 2022	15 Nov 2021

Mr W says he was also borrowing from another company in the same group as Dot Dot Loans at the time of the lending. He says Dot Dot Loans should have been aware he was borrowing regularly from both companies and carried out better checks. Mr W says, if it had done so, it would have found he was borrowing from numerous lenders and had a gambling addiction.

Dot Dot Loans says it asked Mr W 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 W had sufficient disposable income to afford the repayments and clarified that it did not share account details with the associated lending company.

Our adjudicator recommended the complaint should be upheld in part. She found that proportionate checks for loans 3 to 5 would have shown Dot Dot Loans that Mr W was struggling to manage his money and was unlikely to be able to sustainably repay the loans. Our adjudicator recommended that interest and charges should be refunded on loans 3 to 5 (plus 8% statutory interest), and that adverse information about the loans should be removed from Mr W's credit file.

Dot Dot Loans responded to say, in summary, that it did not consider five loans in 21 months to be excessive and could not agree that Mr W's credit checks suggested he was in financial difficulties. It adds that Mr W applied for further loans after loan 3, and since settling loan 5, but his applications were declined.

My provisional findings

I issued a provisional decision to Mr W and to Dot Dot Loans on 11 May 2022. I've summarised my findings:

- For loans 1 and 2 I was satisfied Dot Dot Loans carried out enough checks and there was nothing to indicate the repayments were unsustainable;
- I considered Dot Dot Loans should have carried out further checks before approving loan 3 because his credit file showed almost £1,500 of new home credit since the loan 2 check;
- Using Mr W's bank statements as a proxy for what Dot Dot Loans would have found if it had asked for further information about his loans, they showed:
 - Mr W had taken out at least eight other loans between the beginning of July and loan 3;
 - Two of these, totalling £1,500, were the home credit entries on Mr W's credit file;
 - A further three were short-term loans that were still outstanding at the time of loan 3;
- I was satisfied, therefore, that proportionate checks would have shown clear signs that Mr W was already struggling to manage his money at the time of loan 3 and that further lending was irresponsible;
- There was a significant break in lending before Mr W applied for loan 4 and I considered the checks carried out by Dot Dot Loans were proportionate for this loan because:
 - There were more than seven months between Mr W repaying loan 3 and applying for loan 4 which suggests he was not reliant on the lending;
 - Mr W had made all his previous loan repayments on time and repaid the loans early;
 - Dot Dot Loans said it had declined a number of applications since loan 3;
 - His credit file showed Mr W's home credit balance was back at zero and he had no active short-term loans, with just one in the previous six months;
 - Although Mr W's total debt had increased, I don't find it was at an unreasonable level when compared with his income;
 - The credit check showed no defaults, debt management or repayment plans;
 - Dot Dot Loans calculated Mr W had disposable income of over £1,400 with which to make the £250 repayments.
- With the gap in lending, the declined applications, and the lack of home credit and short-term loans on Mr W's credit file, I found it reasonable that Dot Dot Loans would consider Mr W had broken out of any cycle of dependency of borrowing;
- I was satisfied, therefore, that there was nothing to indicate it would be proportionate to make further checks or that Mr W was struggling to manage his money. So I couldn't conclude Dot Dot Loans was irresponsible to have approved loan 4;
- For loan 5 I also considered the checks carried out by Dot Dot Loans were proportionate as this was only the second loan in the lending chain, and the repayments remained a small proportion of Mr W's income. In addition, although Mr W's total debt had increased again, I didn't find it was at an unreasonable level and there was no other adverse information on his credit file;

- The checks did not indicate Dot Dot Loans was irresponsible to have approved loan 5;
- Finally, I accepted Mr W had a clear gambling addiction at the time of the loans, but I couldn't conclude it would have been proportionate for Dot Dot Loans to carry out the level of checks that would have been necessary to identify this.

So my provisional decision was that I upheld Mr W's complaint about loan 3.

Both Mr W and Dot Dot Loans responded to accept my provisional 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.

As both parties accepted my provisional decision and neither provided any additional information, I see no reason to depart from the conclusion I reached.

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 W towards interest, fees and charges on loan 3;
- Calculate 8% simple interest* on the individual payments made by Mr W which were considered as part of "A", calculated from the date Mr W originally made the payments, to the date the complaint is settled;
- Pay Mr W the total of "A" plus "B";
- Remove any adverse information recorded on Mr W'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 W 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 W to accept or reject my decision before 17 June 2022.

Amanda Williams

Ombudsman