

The complaint

Mr P has complained that Shelby Finance Ltd trading as Dot Dot Loans irresponsibly lent to him.

What happened

Dot Dot Loans lent Mr P three instalment loans, the loan details are as follows;

Loan number	Start date	Loan amount (£)	Term	Repayment (£)	End date
1	01/02/2012	250	3 months	122.45	06/03/2021
2	13/03/2021	400	6 months	129.68	15/03/2021
3	15/10/2021	400	6 months	127.23	17/10/2021

When Mr P complained to Dot Dot Loans, it didn't uphold his complaint and said it lent responsibly. Mr P referred his complaint to this service where it was looked at by one of our adjudicators. Our adjudicator didn't think Dot Dot Loans was wrong to lend any of the loans. Mr P disagreed with the adjudicator and asked for an ombudsman's 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.

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 P could repay the loans without undue difficulties or the need to borrow further. 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 consumer'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.

Dot Dot Loans has provided information to show it asked Mr P about his income and expenses before lending any of the loans, Mr P declared his income as £1,800 for all his loans and his expenses for the loans ranged from £920 - £1,100. Dot Dot Loans says it verified Mr P's income with his payslips although it hasn't provided copies of these. I can see Dot Dot Loans adjusted Mr P's declared income of £1,800 for loan1 but Dot Dot to £1,447 based on its checks. This suggests there was some kind of verification.

Dot Dot Loans also searched Mr P's credit file and from what I can see although Mr P had historic defaults – which on their own, I don't think they should have prevented Dot Dot Loans from lending, there was nothing else on his credit file that suggests he couldn't afford the repayments of the all the loans in a sustainable manner.

Dot Dot Loans checks were reasonable in the circumstances of this case bearing in mind the loan amounts, repayments and what its checks showed. These reasonable checks suggested Mr P could repay the loans, so I don't think Dot Dot Loans was wrong to lend.

I appreciate my decision will likely disappoint Mr P but I hope my explanation helps him understand why I reached these conclusions.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 13 December 2023.

Oyetola Oduola
Ombudsman