

## **The complaint**

Mr B complains Shelby Finance Ltd trading as Dot Dot Loans (“Shelby”) provided him with a loan without looking at his bank statements – had it done so, Shelby would’ve discovered a recently granted loan and gambling transactions.

Mr B also says that Shelby “*hounded*” him to complete the application and had it not done so he wouldn’t have proceeded with the loan.

## **What happened**

Mr B was granted one loan by Shelby on 3 July 2023 for £250 and he would have to make six monthly repayments of £81.71. Mr B repaid the loan early on 10 July 2023.

Shelby considered the complaint and concluded it had made a reasonable decision to provide the loan based on proportionate checks. Unhappy with this response, Mr B referred his complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator, who didn’t uphold it. She said, Shelby had carried out proportionate checks before the loan was approved which demonstrated Mr B could afford his repayments.

She also said that Shelby wasn’t aware – from the credit search results that Mr B had recently been advanced another loan. Finally, she didn’t think, after listening to calls between Mr B and Shelby that it had done anything wrong with regards to the contact with Mr B before the loan was advanced.

Mr B didn’t agree and asked for an ombudsman’s decision. As no agreement has been reached, the case has been passed to an ombudsman 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 this type of lending - including all the relevant rules, guidance and good industry practice - on our website.

Shelby had to assess the lending to check if Mr B could afford to pay back the amount he’d borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Shelby’s checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr B’s income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Shelby should have done more to establish that any lending was sustainable for Mr B. These factors include:

- Mr B having a low 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 amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Mr B having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr B coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Mr B. The adjudicator didn't consider this applied in Mr B's complaint.

Shelby was required to establish whether Mr B could *sustainably* repay the loan – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr B was able to repay his loan sustainably. But it doesn't automatically follow that this is the case.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr B's complaint. Having done so, I've come to the same conclusions as those reached by the adjudicator for broadly the same reasons.

Before the loan was approved, Shelby asked Mr B for details of his income, which he declared as being £2,500 per month. Shelby also says this amount was cross referenced with a credit reference agency for its accuracy. Having done so, for its affordability assessment it reduced Mr B's monthly income to £2,273.

Mr B declared monthly outgoings of £640. However, as part of the application process, Shelby "*overlaid*" what Mr B had declared about his expenditure with data from two different sources and then if needed, made adjustments to the information Mr B had provided. Firstly, it used Office of National Statistics (ONS) data and secondly, it used information from Mr B's credit search (which I'll go into in more detail below). And having done so, Shelby made an adjustment.

It increased Mr B's monthly outgoings to £1,122, which still left £1,151 each month to enable Mr B to make the repayment of around £82. Based solely on this data the loan looked affordable.

Before the loan was approved Shelby also carried out a credit search and it has provided a summary of the results it received from the credit reference agency. It is worth saying here that although Shelby carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard.

Having reviewed the credit check results, there isn't anything in any of the results that would've indicated that Mr B was having immediate financial difficulties, for example it knew there were not any insolvency markers, defaults or debt management plans. There also wasn't anything within the results that indicated Mr B was reliant on these sorts of loans (or home credit loans) because the report showed it that Mr B hadn't opened any of these accounts within the last six months.

Mr B has said that a couple of weeks before this loan was approved, he had recently been advanced another loan, of £1,500 by a different lender. But this wasn't reflected in either the information Mr B declared or the results of Shelby's credit check results. The credit checks

showed outstanding debt of £321. There could be a couple of reasons why this recently granted loan by another provider hadn't yet shown up in the credit search.

Firstly, the lender may not have yet update the credit reference agencies – because this can take up to 45 days to filter through onto records. Secondly, the lender may not report to the same credit reference agency as Shelby use to conduct the search.

Whatever the reason, I'm satisfied that Shelby wasn't aware of this other loan and so it wouldn't have been reasonable to have expected it to have factored those repayments into its affordability assessment.

In my view, just thinking about the credit check results these wouldn't have led Shelby to either have carried out further checks or prompted it to have declined Mr B's application.

Overall, there was also nothing else in the information that I've seen that would've led Shelby to believe that it needed to verify the information Mr B had provided – such as for example reviewing bank statements. This would've been disproportionate for Shelby to have considered them.

Given the evidence provided, I think it was reasonable for Shelby to have relied on the information Mr B gave it and what it received from the credit reference agency which showed he had sufficient disposable income to afford the repayments he was committed to making. There also wasn't anything else to suggest that Mr B was having financial difficulties or that the loan would be unsustainable for him.

I am therefore not upholding Mr B's complaint about Shelby's decision to lend.

### **Other considerations**

Mr B says he was "hounded" by Shelby to complete the loan application and had it not done that than he wouldn't have been granted the loan. I can see from the records provided by Shelby that between 30 June 2023 and 3 July 2023 it sent three emails and six text messages to Mr B.

I've not seen a copy of the emails, but these appear to have the title "*Complete your application*". Assuming the emails contained similar content to those of the text messages - which told Mr B he had a provisional loan application and there was a link to complete it. I can appreciate why Mr B may have felt hounded, but Shelby, in my view, was just letting him know that he'd made a loan application but hadn't yet completed it.

Mr B also spoke to Shelby on three occasions on 3 July 2023 and I've listened to these calls. Having done so, there isn't anything that I can hear that leads me to believe Shelby persuaded him to take out the loan. Indeed, for the first call it was Mr B calling to find out what had happened with the application. So, I can't say Shelby was wrong to have given Mr B this loan or that it was wrong to have answered his enquires on these calls.

I understand what Mr B says about how these text messages and emails made him feel and he has told the Financial Ombudsman about his health problems at the time he took his loan – I do hope things have now improved for him. But as Mr B didn't declare this to Shelby at the point he applied for the loan, Shelby couldn't make any adjustments to either its communication or the way it dealt with Mr B.

And I understand that seeing the record on his credit file is not helpful for him. But I also have to consider that a loan was taken and granted and so Shelby is entitled to record an

accurate reflection of how the loan account was repaid. And so while I know Mr B will be understandably disappointed by this, I can't ask Shelby to remove the record.

And, as the adjudicator pointed out, even if I were to decide the loan ought to not have been granted (to be clear I have not concluded this) then the redress would've been to have removed adverse payment information from the credit file rather than removing the entire record.

Mr B has told us that he took another loan to repay the one he had with Shelby. I've not seen any evidence of this. But accepting that this did happen doesn't mean I can fairly hold Shelby liable for that application or any additional costs he may have incurred as I don't think Shelby was wrong to have granted the loan in the first place.

Overall, I've carefully considered everything that Mr B and Shelby has provided and, in this case, I'm not able to uphold Mr B's complaint. I do accept this decision will be disappointing for him, but I do hope he understands why I have reached the conclusions that I have.

### **My final decision**

So, for the reasons I've explained above, I'm not upholding Mr B's complaint.

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

Robert Walker  
**Ombudsman**