

The complaint

Mr S complains through a representative that Shelby Finance Ltd trading as Dot Dot Loans ("Shelby") provided him with loans without carrying out sufficient affordability checks.

What happened

Mr S was granted two loans and a summary of his borrowing can be found in the table below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	monthly repayment
1	£100.00	18/09/2021	29/12/2021	3	£52.80
2	£500.00	31/12/2021	21/07/2022	9	£108.77

Shelby considered Mr S's complaint and concluded it had made a reasonable decision to provide these loans based on proportionate checks. Unhappy with this response, Mr S's representative referred the complaint to the Financial Ombudsman Service.

The complaint was considered by an adjudicator, who didn't uphold it. He said, Shelby had carried out proportionate checks before each loan was approved which demonstrated Mr S could potentially afford his repayments and there wasn't anything to suggest that the loans would be unsustainable for Mr S.

Mr S's representative didn't agree and asked for a final decision. As no agreement has been reached, the case has been passed to me 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 S could afford to pay back the amounts 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 S'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 S. These factors include:

- Mr S 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 S 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 S 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 S. The adjudicator didn't consider it applied in Mr S's complaint due to there being only two loans and I agree.

Shelby was required to establish whether Mr S could *sustainably* repay the loans – 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 S was able to repay his loans 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 S's complaint. Having reviewed everything, Shelby carried out the same sort of checks before each loan was advanced and in my view these checks were proportionate and showed it that Mr S could afford his repayments. I've explained why I've come to this conclusion below.

Before each loan was approved, Shelby asked for details of Mr S's income and expenditure. Mr S's income was declared as being £2,255 per month for both loans. Shelby also says this amount was electronically verified with a credit reference agency to verify its accuracy. And having carried out this check, it decreased Mr S's income figure for its affordability assessment for both loans to £1,738.

Mr S also declared monthly outgoings of £1,325 for loan one and £900 for loan two. As part of the application process Shelby compared what Mr S had declared about his expenditure with data from Office of National Statistics (ONS) as well as information from Mr S's credit search (which I'll go into in more detail below). Having done so, Shelby didn't consider that it needed to make any adjustments to the figures provided to it by Mr S for loan one but for loan two it increased his monthly outgoings to £1,229. And so, based solely, on the income and expenditure information Shelby used for its affordability assessment the loans looked affordable.

Before each 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 credit searches there isn't a regulatory requirement to do one, let alone one to a specific standard. But what Shelby couldn't do is carry out a credit search and then not react to the information it received – if necessary.

Having reviewed the credit check results, my view is there isn't anything in any of the results that would've indicated that Mr S was having financial difficulties at the time of the applications, for example it knew there were no insolvency markers, defaults within the 12 months preceding each loan or any County Court Judgements.

There also wasn't anything within the results that indicated Mr S was reliant on these sorts of high-cost credit loans and I say this because no such loans had been opened within the preceding six months.

Overall, and taking account of all of the information, there wasn't enough to have led Shelby to believe that it needed to go further with its checks – such as verifying the information it

received. So, while Mr S's representative has provided copy bank statements it would've been, in my view, disproportionate for Shelby to have considered them at this point in the lending relationship.

Given the evidence provided, I think the checks Shelby carried out before each loan were proportionate which showed it that Mr S would be potentially able to afford the repayments, he was committed to making. There also wasn't anything else in the information Shelby gathered to suggest that Mr S was having financial difficulties or that these loans would be unsustainable for him.

I'm therefore not upholding Mr S's complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 22 November 2023.

Robert Walker
Ombudsman