

The complaint

Ms B complains that Novaloans Ltd trading as cash4unow irresponsibly lent to her.

What happened

Novaloans lent Ms B three instalment loans, the loan details are as follows;

Loan number	Start date	Loan amount (£)	Term	Repayment (£)	End date
1	02/05/2019	250	6 months	79.37	20/05/2019
2	02/06/2019	150	6 months	47.60	12/11/2019
3	28/05/2021	500	6 months	163.79	outstanding

Ms B hasn't managed to repay her last loan. When she complained to Novaloans, it didn't uphold her complaint and so she referred it to the Financial Ombudsman Service. One of our adjudicators looked at the complaint and didn't think Novaloans was wrong to lend any of the loans.

Ms B disagreed, she said she struggled to repay a previous loan and Novaloans should have known she couldn't afford further borrowing.

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.

Novaloans 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 Ms B could repay the loans without suffering financial detriment, this included Ms B being able to repay her loans without borrowing 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 Novaloans 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.

I've thought about what this all means for Ms B's complaint.

Novaloans has provided evidence to show it asked Ms B about her monthly income and expenses including credit commitments before lending any of the loans.

For loan 1, Ms B declared an income of £1,700 and expenses of £735, Novaloans added a £200 buffer to Ms B's declared expenses. Ms B was left with sufficient income to repay this loan. The results of Novaloans' search into Ms B's credit file showed she was utilising around 67% of her available revolving credit limit and had a default recorded in the last 12 months. I think given the large disposable income Ms B was left with and small loan repayment of £79.37, Novaloans' checks were reasonable here. Those checks showed Ms B could afford the repayment and although she had adverse information on her credit file, I don't think Novaloans should have declined to lend to her on that basis.

Ms B was in a similar position to loan 1 when she borrowed loan 2, particularly in relation to her credit file, the loan was for a smaller amount than loan one. Ms B's declared income remained the same and she declared her expenses as £660. Novaloans added a buffer of £200 and based on these figures Ms B had sufficient income to repay the loan. I can't see that Novaloans was wrong to lend loan 2.

Ms B encountered some problems repaying this loan, but she still managed to repay it within the term. There was a break of nearly 18 months between Ms B repaying loan 2 and borrowing loan 3. This was a significant break in lending that I think the lending relationship could reasonably have been reset.

Ms B's income had slightly increased to £1,753 by the time of loan 3, so had her expenses which were around £863. Novaloans added a buffer of £200, again Ms B had sufficient income left over to afford the loan repayment.

The credit search showed Ms B was utilising 80% of her revolving credit balance and had one other active short-term loan. There was also some adverse information with Ms B having a late payment and a default within 12 months. Given that loan 3 could be seen as the start of a new lending relationship, the loan repayment compared to Ms B's income and the disposable income available to Ms B, I think Novaloans' checks here were also reasonable and those checks showed Ms B could afford the loan.

On balance, while there was some adverse information on Ms B's credit file, her overall circumstances compared to the loans made it reasonable for Novaloans to have lent all three loans in the way that it did.

I don't think it was wrong to lend Ms B any of the loans and so I won't be asking it to do anything further. I appreciate my findings will likely disappoint Ms B, but I hope my decision helps her understand why I reached these conclusions.

As Ms B still has a balance outstanding, I'd remind Novaloans of its obligations to treat her positively.

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 Ms B to accept or reject my decision before 4 December 2023.

Oyetola Oduola
Ombudsman