

The complaint

Mr K complains through a third-party representative that Novaloans Ltd trading as cash4unow.co.uk irresponsibly lent to him.

What happened

Novaloans lent Mr K two loans, one loan for £200 in December 2020 and a second loan for £150 in April 2021. Mr K repaid his loans on time, both loans were instalment loans with terms of 4 months. The repayment on loan one was £79.47 and the repayment on loan 2 was £60.77.

When Mr K complained to Novaloans, it didn't uphold his complaint and so he referred it to the Financial Ombudsman where it was looked at by one of our adjudicators. Our adjudicator didn't think Novaloans was wrong to lend either of the loans.

Mr K's representative on his behalf disagreed and asked for the complaint to be reviewed by an ombudsman.

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.

Before lending 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 Mr K could repay the loans without suffering undue financial difficulty including not having to borrow to repay the loans. 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.

Novaloans has provided evidence to show that before lending any of the loans, it asked Mr K about his income and expenses. From the application Mr K completed, he declared his income as £2,550 for both loans and his living costs including credit commitments as £1,160 for loan 1 and £610 for loan 2.

Novaloans worked out Mr K's income was lower than he declared and expenses were higher than he declared. Novaloans recorded his income as £1,901.82 for both loans and worked out his living costs and credit commitments as £1,575.95 for loan 1 and £1,456.34 for loan 2. Based on these, Mr K was able to afford the loan repayments over their terms.

When Mr K applied for the loans, he declared he lived with his parents, Novaloans' search into his credit file showed he had no recent defaults or county court judgements (CCJs), Mr K also had kept payments on his other credit accounts up to date. Based on Mr K's profile, the loan amounts and their repayments, and what Novaloans' checks revealed, I think its checks were reasonable and those checks showed Mr K could afford both loans.

In these circumstances, Novaloans wasn't wrong to lend.

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 K to accept or reject my decision before 4 December 2023.

Oyetola Oduola
Ombudsman