

## The complaint

Mr C 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 C was granted two loans from Shelby and a summary of the borrowing can be found below.

| loan number | loan amount | agreement date | repayment date | number of monthly instalments | monthly repayment |
|-------------|-------------|----------------|----------------|-------------------------------|-------------------|
| 1           | £100.00     | 16/09/2021     | 21/12/2021     | 3                             | £51.58            |
| 2           | £400.00     | 08/02/2022     | 22/08/2022     | 6                             | £130.33           |

Shelby considered Mr C's complaint and concluded it had made a reasonable decision to provide these loans based on proportionate checks. Unhappy with this response, Mr C's representative referred the 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 each loan was approved which demonstrated Mr C could potentially afford his repayments.

Mr C'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 C 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 C'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 C. These factors include:

- Mr C 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 C 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 C 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 C. The adjudicator didn't consider it applied in Mr C's complaint and I agree because there was only two loans.

Shelby was required to establish whether Mr C 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 C 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 C'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 C 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 C's income and expenditure. Mr C's income was declared as being £2,100 per month for loan one and £2,300 per month for loan two. Shelby also says this amount was electronically checked with a credit reference agency to verify its accuracy.

He also declared monthly outgoings of £1,460 for loan one and £1,285 for loan two. As part of the application process Shelby compared what Mr C had declared about his income and expenditure with data from Office of National Statistics (ONS) and secondly, it used information from Mr C's credit search (which I'll go into in more detail below). And having done so, Shelby didn't consider that it needed to make any adjustments to the figures provided to it by Mr C. And so, based solely, on the income and expenditure data 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 a credit search 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.

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

There also wasn't anything within the results that indicated Mr C was reliant on these sorts of high-cost credit loans. And while the results did show, for both loans that Mr C had one active payday loan there wasn't any indication from the results that Mr C was regularly opening such accounts.

It did know about a County Court Judgement, but I don't think that on its own, when taking with the other credit file information would've led Shelby to do any further checks – such as prompting it to have declined Mr C's applications or to have reviewed his bank statements.

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 Shelby received. So, while Mr C's representatives have provided copy bank statements it would've been, in my view, disproportionate for Shelby to have considered them.

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

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

### **My final decision**

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

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

Robert Walker  
**Ombudsman**