

The complaint

Mrs C has complained that Greenlight Credit Limited trading as Varooma lent to her irresponsibly.

What happened

I issued a provisional decision about this complaint in March 2022 that I summarise below. From what I understand, Mrs C was given 11 logbook loans by Varooma between 2013 and 2020. The loans were secured against a vehicle that she owned. In summary these loans were:

	DATE	AMOUNT	TOTAL REPAYABLE	MONTHLY REPAYMENT	DURATION
1	Sep-13	2000	3869	215	18
2	Nov-13	500	828	69	12
3	Oct-14	1000	2080	115	18
4	Jan-15	2500	4687	312	15
5	Jun-15	3200	6000	400	15
6	Feb-16	3200	5800	386	15
7	Aug-16	3500	6125	408	15
8	Jul-17	3500	5906	393	15
9	Feb-19	1000	1700	141	12
10	Aug-19	2000	3600	300	12
11	Jan-20	2625	5775	320	18

Some of the loans ran concurrently. When Mrs C took each loan she generally settled the previous loan and took the remaining amount in cash.

Varooma said that Mrs C's complaint about some of her loans couldn't be investigated by this Service as her complaint was raised outside the time limits. An Ombudsman decided that this Service could investigate Mrs C's complaint about all of her loans.

I explained the basis on which I would decide the complaint, in particular the checks that Varooma needed to do such as the amount being lent, and the consumer's income and expenditure. I said that Varooma needed to take reasonable steps to ensure that it didn't lend to Mrs C irresponsibly. And that Varooma had to carry out proportionate checks each time to satisfy itself that Mrs C could repay the loans in a sustainable way.

I thought that a reasonable and proportionate check ought generally to have been more thorough:

- the *lower* a customer'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 *longer* the term of the loan (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make payments for an extended period); and
- 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).

Varooma asked Mrs C for information about her income and expenditure and gathered other information. But I didn't think that Varooma made a fair lending decision in regard to any of the loans and I explained why.

Varooma was required to establish whether Mrs C could sustainably repay her loans. But from what I'd seen, Mrs C was not working when she took the loans so Varooma based its assessment of whether each loan was affordable for her by assessing the income of her partner, Mr C, and it verified Mr C's income by requesting his payslips.

I thought about whether it was fair for Varooma to rely on Mr C's income when assessing the affordability of these loans for Mrs C. But Varooma was lending to Mrs C alone – it was not lending to Mr C nor were these joint loans. It was Mrs C who was liable under the loan agreements to repay the lending. Varooma was required to establish whether Mrs C could afford the loans. I didn't think it was fair or reasonable for Varooma to rely on a third party's income when it assessed whether Mrs C herself could sustainably repay her loans. I accepted that Mr C's monthly salary was paid into a bank account to which Mrs C appears to have had access, but Mr C could have chosen at any point to re-direct his salary into another account – Mrs C effectively had no control over this.

I thought Varooma should reasonably and fairly have assessed whether Mrs C as the borrower was in a position to repay the loans herself, based on an assessment of her financial circumstances, and not on that of her partner. From what I'd seen, Mrs C was in receipt of child tax credits, but she doesn't seem to have been receiving regular income from any other source when she applied for the loans.

I thought these were expensive loans and Mrs C had to maintain her loan repayments over an extended period each time. I thought Varooma ought reasonably to have considered whether Mrs C as the borrower could afford the loan repayments. I didn't think Varooma made fair lending decisions when it provided Mrs C with these loans. Had Varooma fairly assessed Mrs C's circumstances, it ought reasonably to have realised that she wasn't receiving a regular income and would most likely struggle to repay the loans herself sustainably over the extended loan terms. In these circumstances, I thought Varooma ought reasonably to have concluded it wasn't appropriate to lend to her.

Did Varooma act unfairly or unreasonably in some other way?

I noted the number of loans Mrs C took, and the extended period in which she was indebted to Varooma. I thought that Varooma also ought reasonably to have realised that by continuing to lend, it was effectively prolonging Mrs C's indebtedness, by allowing her to take expensive credit over an extended period. As a responsible lender, Varooma should have reasonably questioned whether it should continue lending to this consumer, whose repeated

borrowing suggested that by loan 7, she had become reliant on the lending to meet her financial obligations.

I hadn't seen anything which made me think Varooma treated Mrs C unfairly in some other way. But taking everything into account, I didn't think it should have agreed to provide any of the loans to her. I said I was intending to uphold Mrs C's complaint and invited the parties to provide me with any further evidence or comment.

Mrs C has accepted my provisional decision. Varooma says that it doesn't fully agree with my provisional decision and has made a number of comments, all which I have taken into account when reaching my final decision below.

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.

Varooma has told us it considers each loan was affordable for Mrs C and that its lending and interest rates did not breach any rules. Varooma asks what proof has been provided to show that Mrs C did not have a regular income when it provided the loans to her.

I reviewed the evidence that Varooma provided which showed that it based its assessment of whether the loans were affordable for Mrs C by assessing the income of her partner, Mr C, and it verified this income by requesting *his* payslips. I've not seen anything in the information gathered by Varooma at the time that showed that Mrs C provided any evidence to the lender that she was employed and in receipt of a regular income from employment. Varooma thinks the loans were affordable for Mrs C but as I explained in my provisional decision, Varooma was lending to Mrs C alone – it was not lending to Mr C nor were these joint loans. It was Mrs C who was liable under the loan agreements to repay the lending. I don't think it was fair or reasonable for Varooma to rely on Mrs C's partner's income when it assessed whether Mrs C herself could sustainably repay her loans.

Varooma has also queried what I've said about its lending from loan 7. Notwithstanding what I've said about the fairness of lending to Mrs C based on an assessment of her partner's income, I think that Varooma also ought reasonably to have realised that by continuing to lend, it was effectively prolonging Mrs C's indebtedness, by allowing her to take expensive credit over an extended period. I think that this consumer's repeated borrowing ought reasonably to have suggested to Varooma that she had become reliant on the lending to meet ongoing financial obligations. But in any event, as I have explained, I don't think Varooma made a fair lending decision about the loans when it assessed whether or not Mrs C was in a position to sustainably repay the lending herself, as she was obligated to do so.

I'd like to thank both parties for all the information that has been provided about this matter.

I've thought carefully about all the evidence and comments made – including all the comments made by Varooma in response to my provisional decision. Neither Varooma or Mrs C has provided any new evidence that changes my mind about this complaint, so I confirm the conclusions I reached in my provisional decision.

I don't think Varooma ought reasonably to have provided Mrs C with the loans. So Varooma needs to put things right.

Putting things right

I think it is fair and reasonable for Mrs C to repay the principal amount that she borrowed each time because she had the benefit of that lending. But she has paid interest and charges on loans that shouldn't have been provided to her.

Varooma should:

- Remove all interest, fees and charges on the loans and treat all the payments Mrs C made as payments towards the capital amounts borrowed.
- If reworking Mrs C's loan account results in her having effectively made payments above the original capital borrowed, then Varooma should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled*.
- If reworking the account leaves an amount of capital still to be paid, then Varooma should try to agree an affordable repayment plan with Mrs C, bearing in mind its obligation to treat her positively and sympathetically in these discussions.
- Varooma might have already returned the logbook to Mrs C, but if it has not done this, it should cancel the bills of sale and return the V5 document to her once any outstanding capital has been repaid.
- Remove any adverse information recorded on Mrs C's credit file in relation to the loans.

*HM Revenue & Customs requires Varooma to deduct tax from this interest. Varooma should give Mrs C a certificate showing how much tax it's deducted if she asks for one.

My final decision

For the reasons given above, I uphold Mrs C's complaint and direct Greenlight Credit Limited trading as Varooma to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 30 May 2022.

Sharon Parr
Ombudsman