

The complaint

Mrs L complains Valour Finance Limited trading as Savvy.co.uk lent her an instalment loan when it shouldn't have.

What happened

Savvy lent Mrs L one instalment loan in January 2022, the loan was for £500 repayable in six monthly instalments of £166.66. Mrs L was unable to keep up with her repayments and the loan has been sold to a third-party debt purchaser.

When Mrs L complained to Savvy, 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 Savvy had done anything wrong.

Mrs L disagreed, she says she was struggling with debt at the time of the loan and her credit file revealed concerns which meant Savvy shouldn't have lent to her.

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.

Savvy 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 Mrs L could repay the loan over the term without suffering adverse financial consequences including the need to borrow 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.

Savvy has said Mrs L applied for the loan online and in her application, she stated her monthly income was £1,750 and her monthly expenses were £918.40 this included housing costs and credit commitments.

Savvy searched Mrs L's credit file and from the results of the search which it completed on 8 January 2022 and has provided a copy to the Financial Ombudsman Service, Mrs L had one active unsecured loan with a regular payment of £51, this loan account was up to date. Mrs L also had two credit card accounts, both of which were within their limit and showed her payments were up to date. I can also see Mrs L had a mail order account which she was slightly over her limit on, but the payment status didn't show any concerns.

Before releasing the loan, Savvy called Mrs L to discuss her application and she confirmed her income and credit commitments were what she stated on the application. Mrs L's third-party representative has listed a number of late payments Mrs L incurred but having looked at those, majority of them were after Savvy lent to Mrs L, so I won't expect Savvy to have taken them into account as they weren't part of her financial history at the time.

Also, I'm mindful that the results of the credit search Savvy carried out at the time, didn't show the late payments Mrs L's representatives referred to. The results of the search showed Mrs L had small credit commitments which made the figure she declared reasonable. Also, when Savvy spoke to Mrs L, she confirmed her declared income and credit payments were accurate.

Overall, there was nothing Savvy saw or knew about Mrs L that should reasonably have concerned it or made it carry out further checks. I think its checks were sufficient in the circumstances of this case and those checks showed Mrs L's income and expenses left her with sufficient income to meet the loan repayments and still have disposable income left over.

Savvy wasn't wrong to lend in these circumstances and so I won't be asking it to take any steps to put things right.

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 Mrs L to accept or reject my decision before 16 November 2023.

Oyetola Oduola
Ombudsman