

The complaint

Mr M complains Savvy Loan Products Limited trading as Tick Tock Loans (“Tick Tock”) gave him a loan without carrying out sufficient affordability checks. Mr M says, had further checks been carried out, Tick Tock would’ve seen that he had several large loans and had high discretionary spending.

What happened

Mr M was granted one loan of £500 on 27 March 2023. Mr M was due to make five monthly instalments of £170.14 followed by a final payment of £149.30. Mr M had some problems repaying the loan and I can see from the end of June 2023 he entered a repayment plan to repay the balance. The most recent information provided by Tick Tock suggests an outstanding balance still remains due.

Following Mr M’s complaint, Tick Tock considered it and concluded it had made a reasonable decision to lend and so it didn’t uphold it. However, after the final response letter was issued, Tick Tock offered to waive the final instalment as well as removing £100 due to be paid for the third instalment – this reduced Mr M’s overall liability by £249.30. It also offered to remove negative information about the loan from his credit file.

Mr M referred his complaint to the Financial Ombudsman where it was considered by an investigator. He concluded that the complaint ought not to be upheld because Tick Tock had carried out proportionate checks which showed the loan to be affordable.

Mr M didn’t agree with the outcome the investigator had reached because at the time, he said he had nine outstanding loans – and he provided a list of them. Mr M also says that following the complaint Tick Tock acknowledged it had done wrong because it had made an offer.

As no agreement could be reached, the case has been passed to me for a 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 on our website.

Tick Tock had to assess the lending to check if Mr M could afford to pay back the amount he’d borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Tick Tock’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 M’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 Tick Tock should have done more to establish that any lending was sustainable for Mr M. These factors include:

- Mr M 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 M 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 M 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 M. The investigator didn't consider it reached the point in the lending relationship where this applied and I agree, as there was only one loan.

Tick Tock was required to establish whether Mr M could *sustainably* repay the loan – 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 M was able to repay his loan 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 M's complaint.

Mr M declared a monthly income of £3,173 and Tick Tock says there was a "high level match" between the figure Mr M declared and the estimated income given by a credit reference agency. It therefore considered Mr M's monthly income to be at least £3,713 per month. For a first loan, I think that was a fair course of action for Tick Tock to have taken.

Mr M also declared monthly outgoings of £2,264 which included rent, credit commitments and living costs. Tick Tock used national averages as well as information from Mr M's credit file and it increased his living costs. For its affordability assessment it used a monthly outgoings of around £2,369.74. This left disposable income of around £633 for Mr M to make his loan repayment – this was more than sufficient, given that the highest monthly amount to be repaid was around £170. So based on this information the loan looked affordable.

Before the loan was approved, Tick Tock also carried out a credit search and it has provided the Financial Ombudsman with a copy of the results it received from the credit reference agency. I want to add that, although Tick Tock carried out credit searches, there wasn't a regulatory requirement to do one, let alone one to a specific standard. But what Tick Tock couldn't do, is carry out a credit search and then not react to the information it received – if necessary.

Tick Tock was entitled to rely on the information it was given by the credit reference agency. This does mean the information Tick Tock may receive could be different to what Mr M can see in his full credit report. I've therefore looked at the results Tick Tock received from the credit reference agency to see whether there was anything contained within it, that would've either prompted it to have carried out further checks or possibly have declined Mr M's application.

There wasn't any concerning information contained within the credit file, there were no delinquent or default accounts recorded within the three years preceding the loan application. Like the investigator, I can see the credit card, bank loan and four other loans

that Mr M had outstanding at the time but nothing within the results as far as I can see would've led Tick Tock to carry out further checks.

I appreciate Mr M, in his response to the investigator, provided an overview of his active accounts that he had at the time. But I'm satisfied that Tick Tock has proportionately responded to the information it received from the credit reference agency – which is what I would've expected it to do. This information didn't show that he had 9 active loans at the time.

Tick Tock could only make their decision based on the information available to it and the outstanding loans had been well managed, with no adverse information being reported. Given this and the fact this was the first loan issued by Tick Tock, I think it was reasonable of it to have advanced it.

Taking account of the lending relationship, I think it was reasonable for Tick Tock to have relied on the information Mr M provided to it and the results of its own checks. There also wasn't anything to suggest that Mr M was having either current financial difficulties or to indicate the loan repayment would be unsustainable for him. I am therefore not upholding Mr M's complaint.

Offer

Mr M says that Tick Tock has accepted something went wrong because it made an offer to settle the complaint. I've looked at the email chain between Mr M and Tick Tock that occurred after the final response letter was issued to see what was agreed and why.

It does seem, that Tick Tock was trying to bring this matter to a close as well as trying to assist Mr M. I can see Tick Tock adjusted the offer that it made, following input from Mr M as to what he wanted, in order to prevent the complaint from coming here. But I don't think just because Tick Tock was prepared to make offers to Mr M to get matters resolved to Mr M's satisfaction means that it actually did something wrong when it lent to him.

What is also clear, is that Tick Tock didn't uphold the complaint when it made its offers. So, for the reasons I've gone into above, I am also of the view that proportionate checks were conducted before the loan was approved.

It isn't clear whether this offer is still available, and or whether Mr M has since repaid the loan in full. But Mr M may wish to contact Tick Tock directly to see how he maybe able to proceed with the offer – if it is still available.

My final decision

For the reasons I've outlined above, I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 February 2024.

Robert Walker
Ombudsman