

## **The complaint**

Miss M complains Savvy Loan Products Limited trading as Tick Tock Loans (“Tick Tock”) gave her a loan she couldn’t afford to repay which has led her into a spiral of debt.

## **What happened**

Miss M was granted one loan of £300 on 11 May 2023. Miss M was due to make six monthly instalments. She had some problems repaying the loan and an outstanding balance is due. Tick Tock has told the Financial Ombudsman Service that Miss M entered into a Breathing Space scheme at the end of October 2023.

Following Miss 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, it made an offer to decrease Miss M’s outstanding balance by £45 meaning she would now have an outstanding balance of £400 to pay and then once the loan was repaid, Tick Tock confirmed it would remove the loan from the credit file.

Miss M referred her 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.

Miss M didn’t agree with the outcome and asked for a decision. As no agreement could be reached, the case has been passed to me for a decision.

After the complaint was passed to me, further enquires were made with Tick Tock and it has confirmed the offer it made in the final response letter is now no longer available.

## **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.

Tick Tock had to assess the lending to check if Miss M could afford to pay back the amount she’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 Miss 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 Miss M. These factors include:

- Miss 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);
- Miss 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);
- Miss 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 Miss 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 Miss M could *sustainably* repay the loan – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Miss M was able to repay her 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 Miss M's complaint.

Miss M declared monthly income of £2,200. Tick Tock checked this income by obtaining a copy of Miss M's April 2023 payslip that showed an income of £2,315 which is broadly in line with the amount declared by Miss M. For a first loan, I think Tick Tock's checks into Miss M's income when far enough.

Miss M also declared monthly outgoings of £763 which included rent, credit commitments and living costs. Tick Tock used national averages as well as information from Miss M's credit file and it increased her living costs. For its affordability assessment it used a monthly outgoings figure of £1,201.62 and to this it added a further buffer of around £120. This left disposable income of around £761 for Miss M to make her loan repayment and 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 take into account the information it received – if necessary.

Tick Tock was also 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 Miss M can see in her full credit report.

Miss M has said that shortly before taking this loan she was making payments to two other payday loan companies, but that information wasn't reflected in the results given to Tick Tock. As Tick Tock wasn't aware of these payday loans it wasn't in a position to factor them into its affordability assessment.

Tick Tock knew that Miss M had defaulted on four accounts in 2018, and one each in 2019 and 2017. All of these defaults were satisfied by the time the loan was approved. I think it would've been reasonable for Tick Tock to not have been overly concerned by these defaults as they occurred a number of years before the loan it advanced.

The credit file showed that historically Miss M had some repayment problems on three loans opened at the end of 2017 into early 2018. These loans had been in arrears for a number of years and Miss M had been making repayments towards them because the balances were settled in March 2023. I've considered these loans carefully, but the repayment problems Miss M had, appeared to be historic and so I don't think, at the time this would've led Tick Tock to have queried Miss M's application any more than it did.

While Miss M did have three credit cards close to or at their limits, there hadn't been any adverse payment information recorded against them. As such, Tick Tock could only make its decision based on the information available to it and these credit cards 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.

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

I would remind Tick Tock of its regulatory obligation to treat Miss M fairly and with forbearance while she repays her loan.

### **My final decision**

For the reasons I've explained above I do not uphold Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 4 July 2024.

Robert Walker  
**Ombudsman**