

complaint

Mr H says that Valour Finance Limited, trading as Savvy.co.uk, lent to him in an irresponsible manner.

background

Savvy gave Mr H a loan of £750 in July 2016. There was an additional processing fee of £75. At the outset, the loan was to be repaid over 18 months at £68.76 a month. Mr H repaid the loan in September 2016.

Mr H says that he couldn't afford to repay this loan and only did so by borrowing from another lender.

One of our adjudicators assessed Mr H's complaint. She thought that Savvy had carried out proportionate checks and that it wasn't wrong to lend to Mr H. The adjudicator said that as Mr H told Savvy that he intended to use the loan to consolidate other debts, she didn't think it acted unfairly.

Mr H didn't agree with the adjudicator. He said that Savvy may have known that he was experiencing financial problems but still gave him the loan. Mr H said he had a second bank account at the relevant time but Savvy didn't ask about that. He said that the only reason he repaid the loan early was that he borrowed again from another lender. Mr H said he'd had another, similar complaint upheld.

The adjudicator said that we look at each complaint on its own merits. She said that the credit checks Savvy carried out wouldn't have led it to conclude that it shouldn't lend to Mr H. The adjudicator said that Savvy relied on the information Mr H provided about his intention to repay existing borrowing with the new loan. The adjudicator remained of the view that the checks Savvy carried out were proportionate.

Mr H said that Savvy should have questioned the payments he sent to his second bank account, which he was using for his everyday living expenses.

As there was no agreement between the parties, the complaint was passed to me, an ombudsman, to decide.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've taken into account the law, good industry practice and any relevant regulations at the time.

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 Mr H could repay the loan in a sustainable manner. These checks could take into account a number of different things, such as the amount of the loan, the level of repayments and the consumer's income and expenditure. The relevant regulations, which included the Financial Conduct Authority's (FCA) consumer credit sourcebook (CONC), were not prescriptive about exactly what checks businesses like Savvy should carry out.

what did Savvy do?

Savvy and Mr H spoke by phone and I've listened to the phone call. Savvy obtained information about Mr H's income, which it said was £1,176. Savvy also obtained information about Mr H's general monthly living costs, including expenditure such as transport, food and housing expenses. Mr H told Savvy that he was living with his parents and didn't pay rent or bills or buy food. His monthly expenditure, not including credit commitments but including phone costs, socialising, clothes, car insurance, road tax and fuel, was modest, at around £258.

Savvy also carried out a credit search. It can't now provide the results of that search but it's provided the results of one it carried out in October 2016. It's likely that it was similar to the one Savvy saw in July 2016 and showed other borrowing but no defaults or delinquencies. In its final response to Mr H, Savvy said that the credit search showed that Mr H spent approximately £761 a month on repaying existing debt.

Savvy asked Mr H about his credit commitments and overdraft costs during the phone call. Mr H said that he wanted to repay short-term loans and consolidate his debt using the loan from Savvy. Savvy decided to approve the loan.

did Savvy do enough?

I've thought carefully about whether Savvy carried out proportionate checks before lending to Mr H. On balance, I think it did and I'll explain why.

I appreciate that Mr H feels strongly that Savvy didn't lend responsibly. He doesn't think it did enough to find out about his financial position. In particular, he says that Savvy should have asked him about his second bank account.

I don't think Savvy acted unfairly in proceeding to lend to Mr H on the basis of the information it had. In the circumstances here, Savvy was entitled to rely on the information Mr H gave about both his financial position and his intention to repay short-term debt with this loan.

Savvy came to the reasonable conclusion that given Mr H's income, his modest living expenses and his existing credit repayments, he could afford to repay £68.76 a month. Mr H told Savvy that he'd use this loan to consolidate short-term debt, so his monthly credit repayments would be lower when he'd done that. I don't think Savvy was wrong to conclude that Mr H could afford to make the repayments for this loan.

I'm sorry that Mr H was struggling financially. I don't doubt that this must have been a difficult time for him. But I've seen nothing to suggest that Savvy was aware of that or should have been aware of it. In the particular circumstances here, Savvy didn't have any reason to ask Mr H for his bank statements for his second account.

For the reasons I've given above, I don't think that Savvy acted irresponsibly when it lent to Mr H. So, I'm unable to uphold his complaint.

my final decision

I do not uphold this complaint against Valour Finance Limited, trading as Savvy.co.uk.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 19 January 2020.

Louise Povey
ombudsman