

## **complaint**

Miss P says Valour Finance Limited (“VFL”), trading as Lightning Loans and Savvy.co.uk, lent to her irresponsibly.

## **background**

I sent both parties my provisional decision on 16 November 2018. A copy of it is attached and it forms part of this final decision. The full background to the complaint is set out in my provisional decision, so I won't reiterate it here.

I explained why I wasn't planning to uphold this complaint and asked Miss P and VFL if they had anything to add. VFL told us it didn't have anything to add. Miss P responded too and asked whether *“the loan [I] found [VFL] shouldn't have issued will be removed from [her] credit file?”*

## **my findings**

I've considered again 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.

VFL didn't have anything to add, so I only need to respond to Miss P's question. I'm afraid it appears there has been a misunderstanding – so I'll go over the key findings in my provisional decision again.

I didn't find that either of the two loans VFL approved for Miss P shouldn't have been issued. My provisional decision was that I wasn't planning to uphold the complaint.

I said it was reasonable for VFL to think loan 2 was affordable. And for loan 1, I said I wouldn't decide whether or not it was affordable. That was because VFL had already made an offer (to reduce Miss P's debt with it by around £230) which was more generous than a refund of the interest and charges on loan 1.

So if I had upheld the complaint about loan 1 and said VFL should instead refund the interest and charges on it, Miss P would actually be worse off overall than if she accepted VFL's original offer.

I'll also reiterate that I didn't suggest VFL needed to make any amendments to Miss P's credit file. As I found that it wasn't wrong to approve loan 2, there would be no reason to ask it to make any amendments in respect of that loan.

I didn't make a finding about the affordability of loan 1. But even if I had, and gone on to uphold the complaint, I'd only have asked VFL to remove *adverse* information from Miss P's credit history. I understand loan 1 was repaid early – so there shouldn't be any adverse information recorded about that loan anyway.

In summary, I still consider VFL's offer to settle this complaint was fair and I'm not upholding this complaint, for the same reasons as given in my provisional decision.

**my final decision**

I do not uphold this complaint against Valour Finance Limited. I leave it to Miss P to decide whether or not to accept Valour Finance Limited's original offer.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 11 January 2019.

Matthew Bradford  
**ombudsman**

## **COPY OF PROVISIONAL DECISION**

### **complaint**

Miss P says Valour Finance Limited ("VFL"), trading as Lightning Loans and Savvy.co.uk, lent to her irresponsibly.

### **background**

Miss P had two loans with VFL:

- Loan 1 for £600 (Lightning Loans) taken out in October 2013 with repayments of £110 a month. The loan was repaid early in November 2013.
- Loan 2 for £1,000 (Savvy.co.uk) taken out in November 2014 with repayments of £183 a month.

An adjudicator considered this complaint and recommended it be upheld in respect of loan 1. He thought the information VFL had about this loan suggested it wasn't right to approve it.

VFL didn't agree with this. It said the information it obtained when it spoke to Miss P suggested her disposable income was approximately £269 a month and so the loan was affordable. VFL confirmed its original offer (as set out in its final response) to accept payment of £691.10 against the outstanding balance on loan 2 of £921.47 was still available.

### **my provisional 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.

When VFL first lent to Miss P the regulator was the Office of Fair Trading (OFT) and relevant guidance included its guidance on irresponsible lending (ILG). From 1 April 2014 onwards the regulator was the Financial Conduct Authority (FCA) and relevant regulations and guidance included its Consumer Credit sourcebook (CONC).

The ILG and CONC contain similar guidance for lenders about responsible lending. Among other things, the regulations say lenders should carry out affordability checks which are proportionate in the circumstances of the loan. The regulations also say repayments should be sustainable (*i.e.* repayable from the borrower's income or savings) and that lenders shouldn't allow a borrower to enter into consecutive credit agreements where it would be unsustainable to do so.

Having considered everything I've seen so far, I plan to say VFL's offer to settle the complaint is fair. I'll explain why.

I've listened to two underwriting phone calls between VFL and Miss P, in which VFL asks Miss P various questions about her income and expenditure and Miss P provides VFL with her answers. As I noted above, our adjudicator recommended the complaint about the first loan be upheld. But I'm not going to go into as much detail about the affordability of that loan as he did. The reasons for this will become clear below.

Having listened to the underwriting phone call for loan 1, I think it is unclear whether the loan was affordable. Miss P wanted a loan to consolidate two other debts, but VFL couldn't lend her enough to settle these. The amount Miss P wanted was £700 but VFL could only lend £600. Despite this, it seems VFL's affordability calculation assumed the two existing debts would still be settled.

It isn't clear – because it isn't discussed – what Miss P actually intended to do about her existing debts once VFL told her it couldn't lend her enough to settle them. I think this should have been clarified as part of the affordability assessment. Depending on what Miss P told VFL, loan 1 may or may not have seemed affordable.

But I think I can put this matter aside. That's because the offer VFL has made to reduce Miss P's debt with it by around £230 is, from the information I currently have, more generous than a refund of the interest and fees Miss P paid on loan 1 – which is what our adjudicator recommended.

VFL says Miss P repaid loan 1 in less than a month and so paid only a £60 fee and £71.17 in interest – a total of £131.17. If I were to uphold the complaint about loan 1, I'd ask VFL to refund this (and add 8% simple interest a year). As VFL's offer is more generous, I don't think it would be to Miss P's benefit to ask it do to anything different.

I still need to consider whether loan 2 was approved responsibly. If it wasn't, that might change what VFL needs to do to put things right. Our adjudicator didn't think VFL was wrong to approve loan 2 and I have taken a fresh look at the checks VFL carried out before approving the loan.

VFL has also provided an underwriting call for loan 2 in which it discussed Miss P's income and outgoings. Miss P tells VFL she earned £1,200 after tax (but not including overtime payments) and she provided VFL with payslips to confirm this. Miss P also confirmed she lived with her family and doesn't pay rent or bills. She confirms she spends £50 a month on public transport and £50 on her mobile phone bill. Miss P also confirms she spends £600 a month on debt repayments.

Using the information Miss P provided, her apparent disposable income was around £500 a month. The repayments on loan 2 were £183, so I think VFL could reasonably have thought the loan was affordable.

I note that during the call for loan 1, Miss P said she paid her parents £200 a month in rent. This is different from what Miss P says when applying for loan 2. But loan 2 was taken out around a year after loan 1 was repaid, so I don't think VFL needed to question Miss P about this change, or seek to verify the information it was being given. I think it was reasonable for it to rely on what Miss P was telling it.

In summary, I plan to say VFL wasn't wrong to approve loan 2. And I don't plan to make a finding on whether VFL was wrong to approve loan 1, as I think the offer it has made is more generous than I'd award if I thought it shouldn't have approved loan 1.

### **my provisional decision**

I'm not planning to uphold this complaint as I think the offer Valour Finance Limited made to reduce Miss P's debt for loan 2 is a fair and reasonable resolution.

*[signed]*

Matthew Bradford

**ombudsman**