

complaint

Miss J says Valour Finance Limited trading as Savvy irresponsibly lent to her.

background

This complaint is about a loan Savvy provided to Miss J in August 2018.

Miss J took out the loan for £1,500. This was repayable over a fifteen-month period and cost Miss J £200 per month. The total charge for credit was £1,500. Miss J made six repayments between August 2018 and January 2019 totalling £1,200. Miss J then told us she sold her car to make a further early repayment of £1,205.05 in February 2019. Miss J repaid £2,405.02 in total and the loan is repaid in full.

Miss J has said she was in financial difficulty at the time and Savvy should never have given her this loan which contributed to the debt spiral she was in.

In its final response letter Savvy said it would not uphold Miss J's complaint. It told her it had carried out various checks including reviewing her credit file which showed no signs of financial distress and it was satisfied this loan was issued responsibly.

Our adjudicator upheld Miss J's complaint. She said that if Savvy had carried out proportionate checks it would likely have shown Miss J was having problems managing her money.

Savvy disagreed with this view. It said that based on the various checks it carried out, it had not been made aware of any financial difficulties or hardship. It strongly believed the loan was issued in line with the regulations and guidance available to regulated firms at that time. It asked for the matter to be referred to an ombudsman and so the complaint was passed to me for a final decision.

my findings

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 Miss J could repay the loans in a sustainable manner. 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. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Savvy should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer's 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 *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think that it is important for me to start by saying that Savvy was required to establish whether Miss J could sustainably repay her loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course, the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the relevant regulations define sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss J's complaint. I've decided to uphold this complaint. I will explain why.

This loan was repayable over a period of fifteen- months. So, Miss J would be required to make her loan repayments over an extended period. In these circumstances I think Savvy should have looked at Miss J's financial circumstances in more detail, for example by asking her to provide copies of her bank statements.

If it had done proportionate checks at the time, I think these would likely have revealed that Miss J was having problems managing her money as she had a number of other short-term loan commitments and she was also paying regular sums of money to gambling companies.

I have taken into account everything Savvy has told me about the checks it carried out and what Miss J had told it about her income, expenditure and her other commitments. But I still think Savvy should have checked this information more thoroughly. If it had done that, I think it would have been alerted to Miss J's underlying financial difficulties. So, all in all I don't think Savvy should have given Miss J this loan and I uphold this complaint.

putting things right – what Savvy needs to do

- refund all interest and charges Miss J paid on this loan;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid to the date of settlement†;
- remove any negative information about this loan from Miss J's credit file;

† HM Revenue & Customs requires Savvy to take off tax from this interest. Savvy must give Miss J a certificate showing how much tax it's taken off if she asks for one.

my final decision

For the reasons given above, I'm upholding Miss J's complaint. Valour Finance Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 13 June 2020.

Nicola Woolf
ombudsman