

complaint

Miss P complains about the loans she took out with Valour Finance Limited trading as Savvy.co.uk.

background

Miss P took out 3 loans with Savvy from January 2015 to July 2015. Some of the information Savvy has given us shows that these are:

- Loan 1 was started on 15 January 2015. Miss P borrowed £500 which was repayable in 12 monthly instalments of £83.33. She repaid this loan early on 7 February 2015.
- Loan 2 was started on 31 March 2015. Miss P borrowed £750 which was repayable in 12 monthly instalments of £125. She repaid this loan early on 9 July 2015.
- Loan 3 was started on 31 July 2015. Miss P borrowed £500 which was repayable in 12 monthly instalments of £83.33. She repaid this loan early on 21 March 2016.

Miss P says that when she took the loans from Savvy she was in serious financial difficulty. She had borrowed large amounts from other payday lenders. Miss P says she wanted to take out longer term loans with lower monthly repayments. But the Savvy lending just made things more difficult. She thinks that Savvy should've spotted this and not lent to her.

Savvy has looked at Miss P's complaint and has not upheld it. It said that all of the checks it made were proportionate. And these checks showed that the lending was affordable.

Our adjudicator thought that Miss P's complaint shouldn't be upheld. She agreed that Savvy had made proportionate checks for all of the lending. And the information that Savvy gathered in these checks showed that it was likely that Miss P could afford the monthly repayments. So she thought that Savvy's decisions to lend were reasonable.

Miss P didn't agree with our adjudicator. She said that:

- Her repeated borrowing, poor credit history and extensive long and short term debts should've raised further questions for Savvy.
- Miss P provided credit reports that showed, for example, that she started seven loans in the six months prior to the first loan and at least 11 in the year before this loan. There were also two defaults.

As no agreement's been reached the complaint's been passed to me.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Savvy was required to lend responsibly. To do this it needed to make checks to see whether Miss P could afford to pay back each loan before it lent to her. There's no set list of what a lender should do to check affordability. But the checks should be proportionate to things like the size of the loan, the repayments, what the lender knows about the consumer and what the consumer tells the lender about their circumstances.

So I've firstly looked at whether Savvy performed proportionate checks. If I think that the checks were proportionate then it usually would've been reasonable for Savvy to lend. But if Savvy didn't do proportionate checks I've looked at whether it would've been apparent to it that the loan repayments were affordable had it done better checks. Savvy should put things right if it's likely to have then found that the loan repayments were unaffordable

Savvy said says that the checks it made were proportionate. For all three loans it:

- Asked Miss P about her income and regular expenditure. It asked her to confirm her income by providing a payslip or a 'snapshot' of her bank account.
- Asked Miss P about her other lending including her other payday loans.
- It reviewed Miss P's credit file and discussed what appeared on this in a phone call before it lent each time.

about the checks made and the lending

The crux of Miss P's complaint is that Savvy should've found out that her financial situation was poor. It should've been aware that she had a large number of other payday, and longer term, loans and she had defaulted on some credit in the past.

But listening to the phone calls that took place before each loan between Miss P and Savvy it seems that Savvy was aware of most, if not all, of these details. In the first call Miss P and Savvy discussed her defaults and her current credit commitments both that she declared herself and that Savvy had seen on her credit report. It also asked her about her payday lending. It looked into what she would be repaying towards these over the coming months. It did the same exercise for the other two loans.

I don't dispute Miss P had financial difficulties, the credit reports and the information she has provided support this. But looking at the information she has provided it's reasonable to say her financial situation was improving at the time she was lending from Savvy. Her short term lending was reducing and she was taking out longer term loans to consolidate and reduce her monthly outgoings to an affordable level. This is what she told Savvy she was doing in the phone calls and Savvy approved these loans on this basis. This doesn't seem unreasonable.

And Savvy did confirm her income each time it lent. It also collected quite detailed information about Miss P's outgoings, particularly for the third loan where it asked for a breakdown of all of her expenditure.

I think it was reasonable for Savvy to rely on all of the information provided to determine if these loans were affordable. Using all of the above it recorded that Miss P's disposable income was between £250 and £500 each time. The repayments for these loans were £83.33 for loans 1 and 3 and £125 for loan 2. So I think the amounts due to be repaid compared to her disposable income would have suggested to Savvy that Miss P was left with enough to make the repayments.

And I haven't seen anything which suggests Savvy was made aware of any further financial problems Miss P might've been having at this time. Or anything in the information Miss P provided that would've prompted it to investigate her circumstances in more detail.

So I think the checks Savvy did were proportionate. And these checks showed that the three loans she took were affordable. So I think Savvy's decisions to lend were reasonable and I'm not upholding Miss P's complaint.

my final decision

For the reasons set out above, I don't uphold Miss P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 14 July 2018.

Andy Burlinson
ombudsman