

Complaint

Miss J is unhappy Valour Finance Limited (trading as “Savvy”.co.uk) provided her with a high-cost short-term credit instalment loan. She says the loan was unaffordable and shouldn’t have been provided to her.

Background

This complaint centres around the provision of a high-cost short-term credit instalment loan for £600, which Savvy provided to Miss J in October 2020. The loan was to be paid in twelve monthly instalments of £100.

One of our adjudicators looked at Miss J’s complaint and she didn’t think that Savvy had done anything wrong or treated her unfairly. So she didn’t recommend the complaint be upheld.

Miss J disagreed and asked for an ombudsman to look at her case.

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 the key relevant rules, guidance and good industry practice - on our website. I’ve referred to this when considering Miss J’s case.

Having carefully considered everything, I’m not upholding Miss J’s complaint. I’d like to explain the reasons for my decision in a bit more detail.

Savvy needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Savvy needed to carry out proportionate checks to be able to understand whether Miss J could afford to make the monthly repayments she was committing to before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Savvy provided Miss J with a single loan which was due to be repaid in twelve monthly

instalments. From what I've seen, Savvy had a follow up conversation with Miss J where she was asked to confirm her monthly income and expenditure. The information recorded suggests the loan repayments were comfortably affordable.

Miss J says the information Savvy based its decision on didn't accurately reflect her actual financial position. But I have to think about what Miss J has said in the context of this being an application for first loan involving a relatively small amount. And, in these circumstances, I don't think that it would have been proportionate for Savvy to have carried out the degree of verification Miss J has suggested.

In my view, there wasn't anything immediately obvious in the information that Savvy had, including what was on the credit file, which meant it should've asked Miss J to provide supporting evidence, such as bank statements, before providing a first loan for this amount.

In any event, and for the sake of completeness, I've nonetheless looked at the further information Miss J has now provided about her circumstances. And I don't think that there is anything in it which indicates that further checks into Miss J's regular living expenses would have shown the loan to be unaffordable. So while I'm sorry to hear that Miss J has had difficulty repaying this loan, I think that Savvy's decision to lend wasn't unreasonable.

As this is the case, I don't think that Savvy did anything wrong when deciding to lend to Miss J - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that Savvy treated Miss J unfairly or unreasonably when providing her with her loan. And I'm not upholding Miss J's complaint. I appreciate this will be very disappointing for Miss J. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 28 December 2023.

Jeshen Narayanan
Ombudsman