DRN-2007805

The complaint

Mrs M says Valour Finance Limited, trading as Savvy.co.uk ("Savvy"), irresponsibly lent to her. Mrs M says she took the loan to repay other lending. She says the loan was unaffordable for her and she repaid it early by taking out further borrowing therefore leaving her with more debt.

What happened

This complaint is about one loan Savvy provided to Mrs M in April 2019. Mrs M borrowed £2,010 which was to be repaid over 24 months with monthly repayments of £151.39. Mrs M repaid the loan in full in July 2019.

Our adjudicator didn't uphold Mrs M's complaint. They thought that the checks carried out by Savvy didn't give any cause for concern that would suggest it should carry out further checks. The adjudicator didn't think it would have been proportionate for Savvy to have asked for the amount of information needed to show the lending was unsustainable for her. Mrs M asked for her complaint to be review by an ombudsman, so it has been passed to me.

What I've decided – and why

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

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 Mrs M 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 Mrs M could sustainably repay her loan – 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 Mrs M's complaint. After doing so, I've decided not to uphold Mrs M's complaint. I'll explain why.

Savvy has told us of the checks it carried out before agreeing to the loan. This included a credit check, a creditworthiness check and an automated income validation check. Savvy has also been able to give us a copy of the call recording of the underwriting conversation it had with Mrs M in advance of agreeing to provide the loan.

During that call Mrs M confirmed she was employed, and her monthly income was £1,600. She also received further a further monthly income payment of £450 from a war pension. Mrs M confirmed her expenditure each month was around £1,500. This left Mrs M with a disposable income each month of around £550. So, on the face of it the lending would appear affordable on a pounds and pence basis and it wasn't unreasonable for Savvy to have agreed to lend to Mrs M.

As I've said above, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate after taking into account the term of the loan. But I don't think there was anything in the information that Mrs M provided to Savvy which would have caused it to be concerned that she was having problems managing her finances.

It's possible that Mrs M's financial circumstances weren't correctly reflected in either the information she provided, or any other information Savvy obtained. Mrs M has told us she didn't make any false representation regarding her income and expenditure. And Savvy was able to validate all of the information she gave so this seems likely. But if her circumstances were different Mrs M's actual financial position may well have been more apparent if further information – such as bank statements or more in-depth credit checks – had been obtained.

Mrs M has provided us with a copy of her own credit report and its possible the information on that report was different from the information Savvy saw on its own credit report. But neither report shows that Mrs M had any county court judgments, was in an individual voluntary arrangement or other insolvency. And I note that during the underwriting call Savvy's representative did ask about other borrowing and also about a credit card debt that was being repaid with a payment arrangement. Mrs M explained how this had arisen when her husband lost his job, but the debt was being paid off in accordance with the payment plan and wasn't showing any arrears.

Savvy could only make a decision based on the information it had available at the time. That information – and the fact the loan was at the beginning of the lending relationship – I don't think indicated there was a greater risk of the loan being unaffordable or unsustainable for Mrs M.

In these circumstances, I don't think Savvy needed to take further steps to verify the information provided – such as asking Mrs M for evidence of her income and outgoings which Savvy could have gathered from her bank statements or copies of any bills, as examples. I have considered the information that was provided to, and obtained by Savvy before it lent to Mrs M. And there isn't anything in this information that may have led Savvy to conclude that it should decline Mrs M's application for the loan. And there isn't anything to have prompted it to ask for more information about Mrs M. So, I don't think Savvy was wrong to have provided this loan, based solely on the information it had.

So overall, in these circumstances, I think the assessment Savvy did for the loan was proportionate and the lending looked affordable for Mrs M. I think Savvy's decision to lend to Mrs M wasn't unreasonable.

I appreciate my conclusion to Mrs M's complaint will be a disappointment to her. But I hope I have managed to explain how and why I've reached it.

My final decision

For the reasons given above, I'm not upholding Mrs M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 1 October 2020.

Catherine Langley
Ombudsman