DRN-2683204

The complaint

Mr D complains Valour Finance Limited trading as Savvy.co.uk ('Savvy') lent to him irresponsibly. He also says he wasn't made aware of the interest and charges that would apply on early repayment of his loan.

What happened

Mr D took an instalment loan for £1,200 on 22 February 2020. The repayments of £200 were scheduled over 12 months, and Mr D repaid the loan early on 13 March 2020.

The adjudicator who assessed the complaint didn't think it was wrong to have granted the instalment loan. She thought that the checks completed by Savvy were proportionate and from what she could see the loan wasn't irresponsibly lent.

The adjudicator also thought that Savvy had clearly outlined the terms for early repayment of the loan when it was lent. So, she didn't think Savvy had acted unfairly when Mr D repaid his loan early.

Mr D disagreed with the adjudicator and has asked for the case to be reviewed further.

As no agreement has been reached, the case has been passed to me for a final decision.

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.

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 had to assess Mr D's application for borrowing to check if he could afford to pay back the amount he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Savvy's checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments and Mr D's income and expenditure. With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate.

But certain factors might suggest Savvy should have done more to establish that any lending was sustainable for Mr D. These factors include:

- Mr D having a low 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 amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Mr D having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr D coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

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

At the time the loan was lent, Savvy was regulated by the Financial Conduct Authority, who had set out in its Consumer Credit Sourcebook ("CONC") that payments are sustainable if they are made without undue difficulties and in particular, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr D's complaint.

did Savvy lend responsibly?

The loan (£1,200) was due to be repaid through twelve monthly instalments of £200. The income (£3,627) and expenditure (£2,356.73) used by Savvy in its lending decision was based on what Mr D declared and verified by what it could see through a credit check.

Savvy asked about commitments for rent/mortgage, housekeeping and bills, transport, socialising/entertainment costs, child care and ongoing debt repayments. Considering the expenditure used by Savvy in its assessment, this left a disposable income of over £1,000 after the monthly loan payment of £200.

In view of the level of lending, the loan term and it being the first loan, I think the checks went far enough. I've not seen quite enough evidence to indicate that Savvy ought to have built up a more detailed picture of Mr D's finances, such as verifying everything it was told or completing a full review of his finances.

Given what Mr D declared and from what Savvy could see, the income and expenditure it used in assessing the loan seemed to be a reasonable reflection of his circumstances. And the information Savvy gathered shows it that Mr D would likely to be able to afford the repayments he was committed to paying.

Looking at all this together, I don't think that Savvy was wrong to lend. I think its checks were proportionate and suggested the loan would be affordable and sustainable.

early repayment of the loan – did Savvy apply interest fairly?

The pre-contract documentation set out the annual and daily interest rate. It also provided details of how it would calculate the repayment and explained that no charge would apply for late or missed payments. Mr D subsequently accepted the terms of the loan agreement by completing the declaration. I can see that the agreement reiterated how an early repayment figure would be calculated.

Had Mr D decided to withdraw from the agreement within 14 days, Savvy explained that '*Interest will be accrued at a maximum £9.60 per day*'. This didn't, though, apply to Mr D as he repaid the loan on 13 March 2020, which was more than 14 days since he'd received the loan. Instead, Mr D's pre agreement documentation and the agreement itself, set out that for early repayment:

> *'You are entitled, at any time, by notifying us in writing or by phone and making a payment, to discharge your indebtedness under the agreement in full or in part. You must make the early repayment within 28 days after we received your notice of the early repayment or on or before any later date specified in the notice. We may still charge you up to 28 days of interest on any partial or full settlement you make within 28 days after we received your notice.'*

Overall, I think that Savvy set out how it would calculate the early repayment of the loan in sufficiently clear terms. And the early repayment figure itself doesn't appear to be in dispute. I don't think therefore that Savvy asked for an unfair repayment figure when Mr D decided to repay the loan early.

As this is the case, I'm not upholding Mr D's complaint about his loan. I appreciate this will be disappointing for Mr D. But I hope that he'll understand why I've reached the findings that I have.

My final decision

For the reasons I've explained above, I'm not upholding Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 13 May 2021.

Robert Walker
Ombudsman